

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: City of East Lansing	County Ingham County
Audit Date 6/30/05	Opinion Date September 30, 2005	Date Accountant Report Submitted To State: December 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway P.O. Box 307		City Southfield	State MI
ZIP 48037-0307			
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of East Lansing, Michigan**

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## **Comprehensive Annual Financial Report June 30, 2005**

**Prepared by:**

**Department of Finance  
Mary Haskell, CPA  
Director of Finance**

# City of East Lansing, Michigan

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# City of East Lansing, Michigan

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# **CITY OF EAST LANSING**

The Home of Michigan State University

September 29, 2005

Mayor and Members of City Council  
City of East Lansing  
East Lansing, Michigan 48823

The Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ended June 30, 2005, is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City's administration. We believe this financial information is accurate in all material aspects; that it is presented in a manner designated to fairly state the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities are included.

The statements for the fiscal year ending June 30, 2005, were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Before GASB34 implementation, the financial statements only provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires new government-wide financial statements which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like roads, bridges, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term. Also included is a section called Management Discussion and Analysis which is intended to give an easily readable analysis of the City's financial performance for the year.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, an organizational chart and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the Auditor's Report; Management Discussion and Analysis; Government-wide Financial Statements; Fund Financial Statements; Notes to Financial Statements; Required Supplemental Information and Other Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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## **CITY SERVICES**

The City provides the full range of municipal services contemplated by statute and/or charter. These services include police, fire, rescue, ambulance, district court, sanitation, recycling, recreation, library, streets and roads, public improvements, downtown parking, water, sewer, planning, zoning and general administrative services.

## **ECONOMIC CONDITION AND OUTLOOK**

East Lansing is located in central Lower Michigan adjacent to the City of Lansing--Michigan's state capital. East Lansing is a residential, commercial oriented community serving as a local business, marketing and cultural center and is the home of Michigan State University.

The Michigan economy appears to be stagnant. The East Lansing economy appears to still be strong. Unemployment in East Lansing is lower than the state's unemployment rate. The state equalized value (SEV) of all property in the City grew at 7.42% over last year despite an inflationary increase of 1.023%. The City continues to grow as evidenced by the number of and value of building permits. In calendar year 2004, the City issued 675 permits with a value of \$42,701,633 as compared to 573 permits with a value of \$33,057,392 in 2003.

In November 1993, Michigan voters passed a resolution affecting how K-12 education is funded. School operating property taxes were drastically reduced which cut many homeowners property taxes in half. In its place, a 2 cent sales tax increase was implemented which was earmarked for education, as well as a state wide 6 mill education property tax. While most of this resolution impacted schools, there were several City budget impacts. The resolution also called for an assessment increase limit of 5% or consumer price index whichever is LESS by individual parcel, except when the ownership of a parcel is transferred. Therefore, the ability to raise revenue with the increase in property value is greatly diminished.

The sluggish State economy has resulted in lower State revenue sharing to the City. Since 2001, state revenue sharing has declined from \$7,000,000 to under \$5,900,000 in 2005. Public Act 289 or fire protection money has also been a budgetary concern. This reimbursement has been cut from \$900,000 in 2002 to under \$450,000 in 2003, 2004 and 2005. The City reduced expenditures to meet these fiscal challenges. The State Legislature has approved the Governor's 2006 budget and it did restore fire reimbursement to \$881,000 for fiscal year 2006.

## **MAJOR INITIATIVES**

In 1996, 1998, 2000, and 2002, the City Council adopted a set of strategic priorities on which the City focused its attention. In January 2004, Council again updated these priorities and these priorities formed the framework for the Council's initiatives. They include:

### **STRONG NEIGHBORHOODS**

The City's neighborhoods can increase their attractiveness for a diverse population of residents through the continuous improvements of public services, the provision of aesthetically pleasing and safe community amenities, and the maintenance of a strong infrastructure and quality housing stock.

### **VIBRANT ECONOMY**

Continued economic development and strengthened efforts to expand the diversity of businesses and services will contribute to a vibrant economy.

### **ENHANCED PUBLIC ASSETS**

Maintaining and improving the City's public assets is critical to East Lansing's well-being. These assets include both physical structures and facilities as well as the recreational, cultural and educational programs that provide all residents with a sense of community.

### **ENVIRONMENTAL QUALITY**

Protecting the health and environment of the East Lansing community encompasses many areas of City government. Efficient and effective water, sewer, street and transportation systems are all key elements in achieving a high quality, healthy environment.

### **HIGH PERFORMING CITY GOVERNMENT**

Maintaining a dynamic, high performing City government organization is necessary to achieve improvements in the four other strategic priority areas. The City will continue to focus on efficiency and effectiveness in the way work is performed and customer services are delivered.

#### **Significant Initiatives -**

The following is a partial list of significant initiatives either underway or accomplished in FY2005:

- City was named one of the state's "Cool Cities" and received a \$100,000 grant to make improvements in the downtown neighborhood.



- City was awarded a 2005 Promoting Active Communities Award by the Governor's Council on Physical Fitness and the Michigan Department of Community Health.
- City was awarded a \$92,000 grant to extend the Northern Tier Trail by about one mile from the East Lansing Soccer Complex to State Road. The total estimated project is \$210,000.
- East Lansing Fire Department christened a new fire engine in June. This engine was purchased using funds from two grants administered by the Federal Emergency Management Agency.
- City Council and Staff participated in welcoming new MSU students to East Lansing.
- Held the fourth Great Lakes Folk Festival, the successor event to the National Folk Festival.
- Continued the City Health Care Task Force made up of representatives of all unions, non-union, and management to try to reduce health and prescription costs. The Task Force won a Superior Innovations Award from the Michigan Municipal League. The City's health care provider was changed to Physicians Health Plan of Mid Michigan (PHP) in 2004 but annual competitive bids are being prepared to insure best available pricing of our insurance package.
- City participated in a housing fair to expose students to housing options and prepare them to be responsible members of the community..
- New developments in the City's Northern Tier, include new homes, offices and retail space. Projects under construction include Water Tower Place, Maynard Office Park, Villas at Stratford, Phase III Hawk Nest, Gaslight village and Eagle Eye.
- Downtown East Lansing welcomed several new food and retail attractions including Noodles & Company and Big Ten Burrito.
- A new development called Stonehouse Village on the corner of Bailey Street and Grand River will feature a mix or retail, restaurants and housing.
- Other developments such as West Village and East Village are in planning stages and the City continues to partner with area developers to bring more mixed-use developments downtown.
- A new public works building in the northern section of the City was completed and dedicated in a public ceremony in June 2005.

## INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **MUNICIPAL SECONDARY MARKET DISCLOSURE**

Certain financial information is required to be disclosed annually in compliance with Security and Exchange Commission Rule 15c, 2-12. We maintain the information contained in this Comprehensive Annual Financial Report meets the annual reporting guidelines.

## **INDEPENDENT AUDIT**

The City Charter and State Law require an audit of the accounts of the City annually by qualified accountants experienced in municipal accounting. The City contracted with the auditing firm of Plante & Moran, PLLC, to conduct the audit and their report is included in the Comprehensive Annual Financial Report. The audit team consisted of Mr. Joseph Heffernan, Partner, Katherine Forth, Ryan Robinson, Shaun Krick, and Steven Raiche.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Lansing for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004 as well as the twenty previous fiscal years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **ACKNOWLEDGMENT**

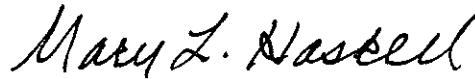
The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2005. The issuance of this report is the culmination of many hours of effort in wrapping up the fiscal year of the City. We would like to express our appreciation to Plante & Moran, PLLC, auditors for their efforts in making their audit run smoothly. We also wish to acknowledge the efforts of Ms. Connie Larkin, Assistant Finance Director and City Treasurer; Karen Ruddy, Budget & Accounting Administrator; Ms. Vicki Durr-Marinez, Finance Secretary; and other staff members

in their efforts in closing the books and assisting the auditors in their examination. We would also like to thank the Mayor and the City Council for their interest and support in the financial condition of the City. For further information regarding the City's financial condition, please see the Management Discussion and Analysis included in the report.

Sincerely,



Theodore J. Staton  
City Manager



Mary L. Haskell  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of East Lansing,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



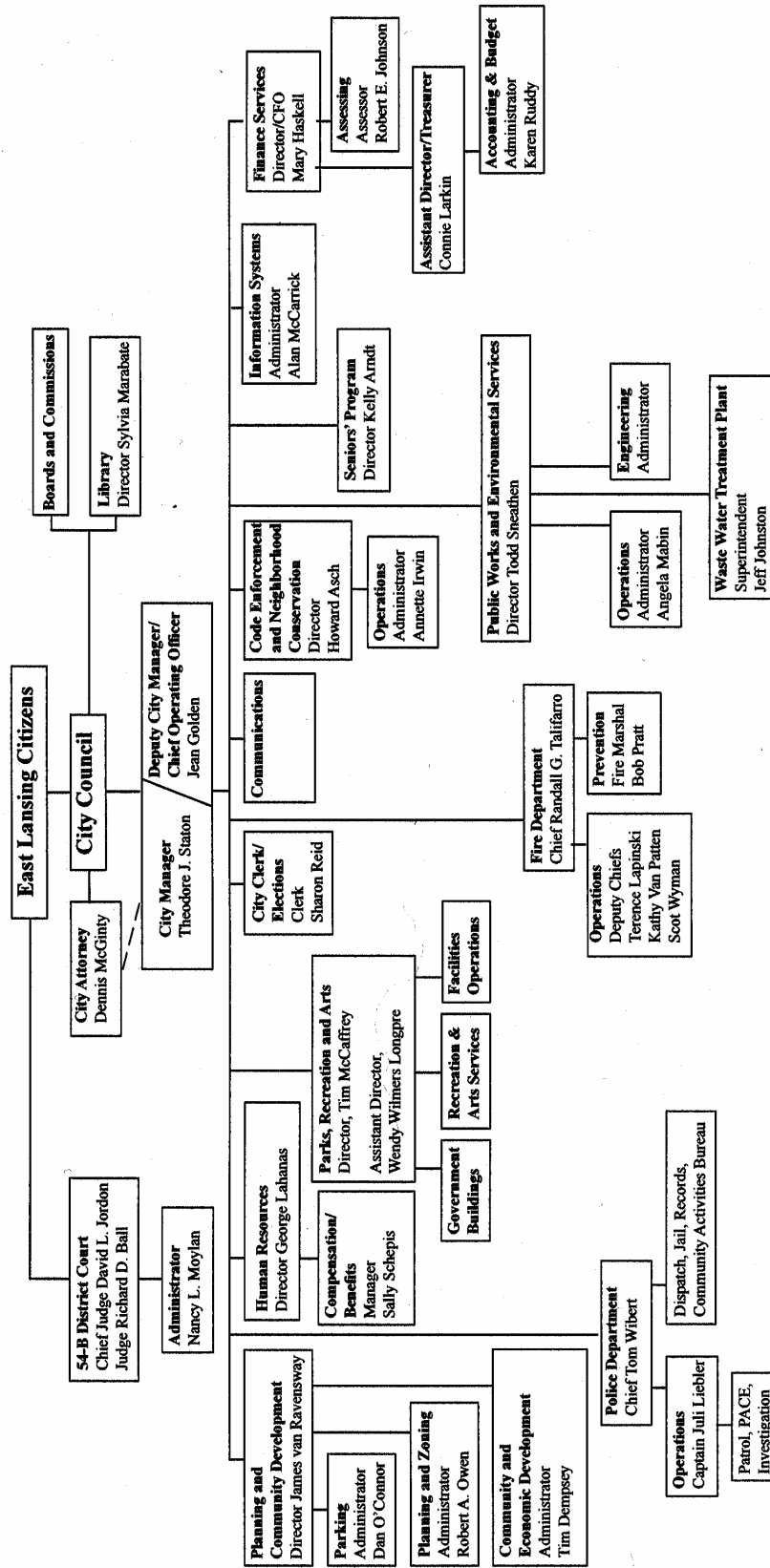
*Nancy L. Ziehl*

President

*Jeffrey R. Enser*

Executive Director

# City of East Lansing, Michigan ORGANIZATIONAL CHART





**Plante & Moran, PLLC**  
27400 Northwestern Highway  
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## Independent Auditor's Report

To the City Council  
City of East Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the City Council  
City of East Lansing, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The accompanying General Fund budgetary comparison schedule, introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The nonmajor governmental funds and internal service funds combining statements and the component unit fund based statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, statement of changes in Agency Fund assets and liabilities, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

September 30, 2005

# City of East Lansing, Michigan

## Management's Discussion and Analysis

### Overview of the Financial Statements

The City of East Lansing's 2005 annual report follows the same format as last year. The annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplementary information, other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as police, fire, public works, court, streets, recreation, library, solid waste disposal, parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and court revenues provide most of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and automobile parking system are treated as business-type activities.
- Component units - The City includes three other entities in its report, the Downtown Development Authority, the Downtown Management Board and the Brownfield Authority. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which was issued on behalf of the authorities by the City.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.



# City of East Lansing, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements (Continued)

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- Fiduciary fund - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### Financial Overview

The City of East Lansing has combined net assets of \$78 million. Business-type activities comprise \$29 million, and governmental activities make up \$49 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 18,666,362	\$ 25,719,228	\$ 2,940,284	\$ 2,683,048	\$ 21,606,646	\$ 28,402,276
Capital assets	66,470,797	56,597,850	69,411,424	67,154,572	135,882,221	123,752,422
Investment in joint venture	-	-	2,931,048	3,250,625	2,931,048	3,250,625
Total assets	85,137,159	82,317,078	75,282,756	73,088,245	160,419,915	155,405,323
Current liabilities	7,073,591	6,261,518	4,266,807	4,088,676	11,340,398	10,350,194
Long-term liabilities	29,101,262	28,454,410	41,764,820	39,775,251	70,866,082	68,229,661
Total liabilities	36,174,853	34,715,928	46,031,627	43,863,927	82,206,480	78,579,855
Net assets:						
Invested in capital assets -						
Net of related debt	36,792,399	33,261,393	25,303,824	25,228,170	62,096,223	58,489,563
Restricted	3,321,941	2,766,897	-	-	3,321,941	2,766,897
Unrestricted	8,847,966	11,572,860	3,947,305	3,996,148	12,795,271	15,569,008
Total net assets	<u>\$ 48,962,306</u>	<u>\$ 47,601,150</u>	<u>\$ 29,251,129</u>	<u>\$ 29,224,318</u>	<u>\$ 78,213,435</u>	<u>\$ 76,825,468</u>

# City of East Lansing, Michigan

## Management's Discussion and Analysis (Continued)

The net assets increased in total by \$1,388,000, or 1.8 percent. Business-type activities' net assets increased by only \$26,800, or .1 percent, indicating consistent performance when compared to the prior fiscal year. Governmental activities increased \$1,360,000, or 2.9 percent. Because the bulk of the construction expenditures on the new public works facility occurred in this fiscal year, a larger dollar amount of the capital outlay was capitalized in the government-wide statements than in the prior year. This accounts for the majority of the increase in the net assets of the governmental activities for fiscal year 2005.

The following table shows the changes in net assets for 2005:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 12,623,422	\$ 12,569,087	\$ 13,170,289	\$ 12,839,430	\$ 25,793,711	\$ 25,408,517
Operating grants and contributions	3,964,146	4,027,903	-	-	3,964,146	4,027,903
Capital grants and contributions	4,000	-	-	486,286	4,000	486,286
General revenue:						
Property taxes	15,592,401	14,856,993	-	-	15,592,401	14,856,993
State-shared revenue	5,895,886	6,134,877	-	-	5,895,886	6,134,877
Unrestricted investment earnings	259,165	144,219	325	1,832	259,490	146,051
Unrestricted franchise fees	372,660	318,825	-	-	372,660	318,825
Miscellaneous	163,594	485,311	-	-	163,594	485,311
<b>Total revenue</b>	<b>38,875,274</b>	<b>38,537,215</b>	<b>13,170,614</b>	<b>13,327,548</b>	<b>52,045,888</b>	<b>51,864,763</b>
<b>Program Expenses</b>						
General government	5,736,504	7,537,175	-	-	5,736,504	7,537,175
Public safety	16,108,792	15,222,360	-	-	16,108,792	15,222,360
Public works	6,182,784	6,848,258	-	-	6,182,784	6,848,258
Health and welfare	186,990	164,365	-	-	186,990	164,365
Community and economic development	679,381	963,337	-	-	679,381	963,337
Recreation and culture	7,040,415	7,104,655	-	-	7,040,415	7,104,655
Interest on long-term debt	1,150,612	1,128,930	-	-	1,150,612	1,128,930
Water	-	-	2,950,015	3,089,991	2,950,015	3,089,991
Sewer	-	-	7,094,946	6,432,431	7,094,946	6,432,431
Parking	-	-	3,527,482	3,527,810	3,527,482	3,527,810
<b>Total program expenses</b>	<b>37,085,478</b>	<b>38,969,080</b>	<b>13,572,443</b>	<b>13,050,232</b>	<b>50,657,921</b>	<b>52,019,312</b>
<b>Transfers</b>	<b>(428,640)</b>	<b>-</b>	<b>428,640</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>1,361,156</b>	<b>(431,865)</b>	<b>26,811</b>	<b>277,316</b>	<b>1,387,967</b>	<b>(154,549)</b>
<b>Net Assets - Beginning of year</b>	<b>47,601,150</b>	<b>48,033,015</b>	<b>29,224,318</b>	<b>28,947,002</b>	<b>76,825,468</b>	<b>76,980,017</b>
<b>Net Assets - End of year</b>	<b>\$ 48,962,306</b>	<b>\$ 47,601,150</b>	<b>\$ 29,251,129</b>	<b>\$ 29,224,318</b>	<b>\$ 78,213,435</b>	<b>\$ 76,825,468</b>

# **City of East Lansing, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for governmental activities totaled \$39 million in 2005. A total of \$15.6 million was in the form of property tax collections that reflects no increase in the total millage rate, but an increase of \$44 million in taxable value, or 5.4 percent due to new construction and increases in existing properties. State-shared revenues continue to be of concern. While they provided \$5.9 million in 2005, this is almost a \$270,000 decrease from 2004 and a \$360,000 decrease from 2003. The State has passed its budget for 2006, which was adopted showing revenue sharing to be flat. Charges for services generated \$12.6 million.

### **Business-type Activities**

The City of East Lansing has three business-type activities. These include the water, sewer, and automobile parking operations. Revenues for business-type activities were \$13 million. The City purchases water from the East Lansing Meridian Water Sewer Authority and water is distributed by the City through mains to customers. The City operates the wastewater treatment plant, which serves not only the City, but also Michigan State University and Meridian Township through contracts. City customers are billed quarterly for water and sewer service based on water consumption.

The automobile parking system consists of four attended parking ramps, two attended parking lots, five metered lots, one permit-only lot, and various street meters all in the downtown. Parking revenue includes monthly permits, transient parking (spitter tickets), merchant validations, and meter revenues.

### **Current Economic Events**

As of the date of this letter, several issues are worth noting or updating in evaluating the financial condition of the City of East Lansing. The City of East Lansing issued up to \$9,605,000 in limited general obligation bonds on March 27, 2003 for Phase C of the combined sewer overflow abatement project. This phase consists of a 2.6 million gallon retention/treatment basin. These bonds were sold to the Michigan Municipal Bond Authority at 2.125 percent interest. Bond proceeds from the Bond Authority are being drawn down as needed to pay for the basin construction. Although these bonds did not need to be rated, the City has maintained its AA rating from both Standard & Poors and Fitch Investor Services.

In fiscal year 2003, the City borrowed \$6,800,000 to purchase land and build a new public works building. Due to soil conditions and rising steel and other construction costs, a second borrowing of \$2.5 million was issued on November 19, 2004. The new public works facility was essentially completed this fiscal year.

Because of favorable rates in the bond market, the City refinanced \$2,795,000 of general obligation unlimited tax bonds in early September 2005. The prior bonds were authorized at an election held on November 7, 1995 to finance capital projects for the library and the parks and recreation area. The City was able to realize a net present value savings of \$129,000 over the remaining life of the bond issue.

# **City of East Lansing, Michigan**

## **Management's Discussion and Analysis (Continued)**

For more information on long term debt and capital asset activity, please refer to Note 5 and Note 7 on pages 32, 34, 36, and 37, respectively.

The City of East Lansing continues to experience significant growth in the community. This is seen in a continually strong housing market, as well as new construction growth. The City has seen over \$30 million in new construction growth in each of the last four years. Through various Act 425 Agreements, the City has expanded its boundaries by over two square miles over the last four years.

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems, and as it looks for solutions, revenue sharing continues to be under attack. Revenue sharing has declined from \$7 million in 2001 to \$5.9 million in 2005. The State Legislature has approved the governor's 2006 budget which indicates revenue sharing will remain flat at \$5.9 million which is what the City had budgeted for 2006.

Another budgetary concern is fire protection reimbursement. Under PA289 of 1978, the State is to reimburse municipalities for providing fire protection services for state-owned facilities in their jurisdictions. In our case, we get fire reimbursement for Michigan State University and the State Police Headquarters. The State has never fully reimbursed municipalities. Given the State economy, this reimbursement has been cut from \$900,000 + annually in 2000, 2001, and 2002 to approximately \$450,000 in 2003, 2004, and 2005. The legislature adopted the 2006 governor's budget which should restore fire reimbursement to the \$900,000 level for fiscal year 2006.

### **Financial Analysis of City Funds and Budgets**

The General Fund ended 2005 with an undesignated fund balance of \$2,476,393 (compared to \$2,441,169 in 2004), with another \$504,064 designated for appropriation in fiscal year 2006 or set aside for special purposes. Several factors affected operating results. Property taxes exceeded budget by \$132,000 due to higher taxable value from new construction. Licenses and permits exceeded budget by \$205,000 due to more building permits resulting from increased construction activity. Intergovernmental revenue was lower than budget by \$79,000 due to the sluggish Michigan economy. Interest income was above conservative budget estimates by \$42,000 due to a small rebound in overall market rates.

The General Fund budget is amended throughout the year as deemed necessary. This is done primarily to prevent over expenditures. With that in mind, the General Fund expenditures were 98.4 percent of budget. The largest under budget areas were general government, which was \$168,830 or 2.1 percent below budget and public safety, which was \$168,915 or 1.1 percent below budget.

# **City of East Lansing, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Projects**

The City finished one capital project in 2005. The new public works facility was dedicated in a public ceremony on June 21, 2005. The City started the retention basin for the combined sewer overflow abatement program last fiscal year in the Sewer Fund and work is still in progress.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the City's financial condition. Should you have further questions, please contact the Finance Department at City Hall.

# City of East Lansing, Michigan

## Statement of Net Assets June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 11,786,277	\$ 580,016	\$ 12,366,293	\$ 8,142
Receivables - Net (Note 4)	4,842,640	1,311,939	6,154,579	232,935
Due from other governmental units	1,767,622	561,640	2,329,262	-
Inventories	269,345	152,914	422,259	-
Restricted assets (Note 8)	478	-	478	-
Net investment in East Lansing-Meridian				
Water and Sewer Authority	-	2,931,048	2,931,048	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	5,760,394	8,020,326	13,780,720	-
Assets subject to depreciation	60,710,403	61,391,098	122,101,501	650,785
Bond refinancing issue costs	-	333,775	333,775	-
<b>Total assets</b>	<b>85,137,159</b>	<b>75,282,756</b>	<b>160,419,915</b>	<b>891,862</b>
<b>Liabilities</b>				
Accounts payable	2,017,474	1,190,312	3,207,786	11,224
Accrued and other liabilities	1,302,537	497,927	1,800,464	-
Deferred revenue	-	-	-	-
Due to other governmental units	8,813	77,316	86,129	-
Noncurrent liabilities (Note 7):				
Due within one year	3,744,767	2,501,252	6,246,019	-
Due in more than one year	29,101,262	41,764,820	70,866,082	700,000
<b>Total liabilities</b>	<b>36,174,853</b>	<b>46,031,627</b>	<b>82,206,480</b>	<b>711,224</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	36,792,399	25,303,824	62,096,223	(49,215)
Restricted:				
Streets and highways	2,147,552	-	2,147,552	-
Debt service	4,607	-	4,607	-
Capital projects	320,807	-	320,807	-
Solid waste	833,921	-	833,921	-
Arts	15,054	-	15,054	-
Unrestricted	8,847,966	3,947,305	12,795,271	229,853
<b>Total net assets</b>	<b>\$ 48,962,306</b>	<b>\$ 29,251,129</b>	<b>\$ 78,213,435</b>	<b>\$ 180,638</b>

# City of East Lansing, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 5,736,504	\$ 5,221,512	\$ 50,613	\$ -
Public safety	16,108,792	4,364,116	32,611	-
Public works	6,182,784	535,227	2,942,260	-
Health and welfare	186,990	-	-	-
Community and economic development	679,381	11,453	635,219	-
Culture and recreation	7,040,415	2,491,114	303,443	4,000
Interest on long-term debt	1,150,612	-	-	-
Total governmental activities	37,085,478	12,623,422	3,964,146	4,000
Business-type activities:				
Water	2,950,015	2,628,443	-	-
Sewer	7,094,946	6,760,789	-	-
Parking	3,527,482	3,781,057	-	-
Total business-type activities	13,572,443	13,170,289	-	-
Total primary government	<u>\$ 50,657,921</u>	<u>\$ 25,793,711</u>	<u>\$ 3,964,146</u>	<u>\$ 4,000</u>
Component units:				
Downtown Development Authority	\$ 1,087,458	\$ 50,739	\$ 110,553	\$ -
Downtown Management Board	54,640	-	-	-
Brownsfield Authority Fund	60,646	67,000	25,000	-
Total component units	<u>\$ 1,202,744</u>	<u>\$ 117,739</u>	<u>\$ 135,553</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (464,379)	\$ -	\$ (464,379)	\$ -
(11,712,065)	-	(11,712,065)	-
(2,705,297)	-	(2,705,297)	-
(186,990)	-	(186,990)	-
(32,709)	-	(32,709)	-
(4,241,858)	-	(4,241,858)	-
(1,150,612)	-	(1,150,612)	-
(20,493,910)	-	(20,493,910)	-
-	(321,572)	(321,572)	-
-	(334,157)	(334,157)	-
-	253,575	253,575	-
-	(402,154)	(402,154)	-
(20,493,910)	(402,154)	(20,896,064)	-
-	-	-	(926,166)
-	-	-	(54,640)
-	-	-	31,354
-	-	-	(949,452)
15,592,401	-	15,592,401	846,327
5,895,886	-	5,895,886	-
259,165	325	259,490	3,082
372,660	-	372,660	-
163,594	-	163,594	20
(428,640)	428,640	-	-
21,855,066	428,965	22,284,031	849,429
1,361,156	26,811	1,387,967	(100,023)
47,601,150	29,224,318	76,825,468	280,661
<b>\$ 48,962,306</b>	<b>\$ 29,251,129</b>	<b>\$ 78,213,435</b>	<b>\$ 180,638</b>



# City of East Lansing, Michigan

## Governmental Funds Balance Sheet June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 3,095,783	\$ 3,224,892	\$ 6,320,675
Receivables - Net (Note 4)	4,269,947	97,600	4,367,547
Due from other governmental units	1,157,051	610,571	1,767,622
Inventories	16,762	16,481	33,243
Total assets	<u>\$ 8,539,543</u>	<u>\$ 3,949,544</u>	<u>\$ 12,489,087</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 346,662	\$ 197,570	\$ 544,232
Accrued and other liabilities	513,409	111,671	625,080
Due to other governmental units	8,813	-	8,813
Deferred revenue (Note 4)	4,563,330	-	4,563,330
Total liabilities	5,432,214	309,241	5,741,455
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	110,110	55,991	166,101
Inventories	16,762	16,481	33,243
Unreserved, reported in:			
General Fund:			
Designated (Note 13)	504,064	-	504,064
Undesignated	2,476,393	-	2,476,393
Special Revenue Funds:			
Designated (Note 13)	-	904,167	904,167
Undesignated	-	2,373,250	2,373,250
Debt Service Funds - Undesignated	-	4,607	4,607
Capital Projects Funds -			
Designated (Note 13)	-	285,807	285,807
Total fund balances	<u>3,107,329</u>	<u>3,640,303</u>	<u>6,747,632</u>
Total liabilities and fund balances	<u>\$ 8,539,543</u>	<u>\$ 3,949,544</u>	<u>\$ 12,489,087</u>

# City of East Lansing, Michigan

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## **Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2005**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 6,747,632</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds	66,470,797
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectable within 60 days of year end	4,563,330
Long-term liabilities not due and payable in the current period and are not reported in the funds	(32,846,029)
Internal Service Funds are also included as governmental activities, net of amounts included above as capital assets and long-term liabilities	<u>4,026,576</u>

<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 48,962,306</u></u></b>
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# City of East Lansing, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 15,181,280	\$ 1,178,030	\$ 16,359,310
Licenses and permits	1,448,979	-	1,448,979
Federal grants	222,965	645,169	868,134
State-shared revenues and grants	6,358,880	3,093,346	9,452,226
Intergovernmental revenue	-	627,741	627,741
Charges for services	3,879,152	2,444,471	6,323,623
Fines and forfeitures	3,199,484	42,495	3,241,979
Interest and rentals	172,514	358,753	531,267
Other	727,247	325,595	1,052,842
Total revenue	31,190,501	8,715,600	39,906,101
<b>Expenditures</b>			
Current:			
General government	7,841,240	-	7,841,240
Public safety	15,849,325	-	15,849,325
Public works	739,374	4,123,855	4,863,229
Health, welfare, and community development	185,097	647,599	832,696
Culture and recreation	1,433,979	5,394,639	6,828,618
Capital outlay	5,225	101,209	106,434
Debt service	-	2,860,799	2,860,799
Total expenditures	26,054,240	13,128,101	39,182,341
<b>Excess of Revenue Over (Under) Expenditures</b>	5,136,261	(4,412,501)	723,760
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 6)	-	5,922,575	5,922,575
Transfers out (Note 6)	(5,514,441)	(836,774)	(6,351,215)
Total other financing sources (uses)	(5,514,441)	5,085,801	(428,640)
<b>Change in Fund Balances</b>	(378,180)	673,300	295,120
<b>Fund Balances - Beginning of year</b>	3,485,509	2,967,003	6,452,512
<b>Fund Balances - End of year</b>	<u>\$ 3,107,329</u>	<u>\$ 3,640,303</u>	<u>\$ 6,747,632</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of East Lansing, Michigan

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

**Net Change in Fund Balances** - Total governmental funds \$ 295,120

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay incurred in the current year	2,616,578
Depreciation	(2,370,281)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (766,905)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end 4,911

Repayment of bond principal and interest is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,729,069

Increases in accumulated employee sick and vacation pay are recorded when earned in the statement of activities (142,425)

Internal Service Funds are also included as governmental activities (4,911)

**Change in Net Assets of Governmental Activities** \$ 1,361,156

# City of East Lansing, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2005

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 4,299	\$ -	\$ 575,717	\$ 580,016	\$ 5,465,602
Receivables - Net (Note 4)	75,142	557,072	679,725	1,311,939	475,092
Due from other governmental units	-	-	561,640	561,640	-
Inventories	-	141,389	11,525	152,914	236,102
Total current assets	79,441	698,461	1,828,607	2,606,509	6,176,796
Noncurrent assets:					
Restricted assets (Note 8)	-	-	-	-	478
Investment in East Lansing-Meridian Water and Sewer Authority	-	2,931,048	-	2,931,048	-
Capital assets (Note 5)	25,835,762	6,255,281	37,320,381	69,411,424	13,982,373
Bond refinancing issue costs	333,775	-	-	333,775	-
Total noncurrent assets	26,169,537	9,186,329	37,320,381	72,676,247	13,982,851
Total assets	26,248,978	9,884,790	39,148,988	75,282,756	20,159,647
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	54,739	227,727	907,846	1,190,312	1,473,242
Accrued and other liabilities	26,102	19,283	35,784	81,169	149,302
Claims payable (Note 9)	-	-	-	-	264,867
Accrued interest payable	279,896	-	136,862	416,758	-
Due to other governmental units	-	-	77,316	77,316	-
Current portion of long-term debt (Note 7):					
Compensated absences	44,828	-	91,424	136,252	282,325
Bonds payable	1,150,000	-	1,215,000	2,365,000	460,000
Total current liabilities	1,555,565	247,010	2,464,232	4,266,807	2,629,736
Noncurrent liabilities - Net of current portion (Note 7):					
Compensated absences	7,311	-	14,909	22,220	237,864
Bonds payable	20,579,575	-	21,163,025	41,742,600	8,623,876
Total noncurrent liabilities	20,586,886	-	21,177,934	41,764,820	8,861,740
Total liabilities	22,142,451	247,010	23,642,166	46,031,627	11,491,476
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	4,106,187	6,255,281	14,942,356	25,303,824	4,898,975
Unrestricted	340	3,382,499	564,466	3,947,305	3,769,196
Total net assets	<u>\$ 4,106,527</u>	<u>\$ 9,637,780</u>	<u>\$ 15,506,822</u>	<u>\$ 29,251,129</u>	<u>\$ 8,668,171</u>

# City of East Lansing, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>					
Parking revenue	\$ 3,304,790	\$ -	\$ -	\$ 3,304,790	\$ -
User service charges	-	2,628,443	6,760,789	9,389,232	5,852,688
Equipment and building rental	49,067	-	-	49,067	2,071,670
Other charges for services	-	-	-	-	41,152
Total operating revenue	3,353,857	2,628,443	6,760,789	12,743,089	7,965,510
<b>Operating Expenses</b>					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	933,157	-	933,157	-
Disposal plant	-	-	3,502,560	3,502,560	-
Distribution	-	705,004	-	705,004	-
Collection system	-	-	1,262,729	1,262,729	-
Pumping station	-	-	60,473	60,473	-
Customer accounts and collection	-	514,149	-	514,149	-
General and administrative	1,652,690	107,305	484,074	2,244,069	7,180,717
Depreciation and amortization	667,989	178,350	1,572,787	2,419,126	1,021,575
Total operating expenses	2,320,679	2,437,965	6,882,623	11,641,267	8,202,292
<b>Operating Income (Loss)</b>	1,033,178	190,478	(121,834)	1,101,822	(236,782)
<b>Nonoperating Revenue (Expenses)</b>					
Interest income	-	-	323	323	203,789
Interest expense	(1,206,803)	(1,253)	(212,323)	(1,420,379)	(292,704)
Contribution from DDA	427,200	-	-	427,200	-
Federal and state grants	-	-	-	-	292,050
Gain on sale of assets	-	-	-	-	28,736
Loss from joint venture, including payments for interest	-	(510,797)	-	(510,797)	-
Total nonoperating revenue (expenses)	(779,603)	(512,050)	(212,000)	(1,503,653)	231,871
<b>Income (Loss) - Before transfers</b>	253,575	(321,572)	(333,834)	(401,831)	(4,911)
<b>Other Financing Sources -</b>					
Transfers in (Note 6)	428,640	-	-	428,640	-
<b>Change in Net Assets</b>	682,215	(321,572)	(333,834)	26,809	(4,911)
<b>Net Assets - Beginning of year</b>	3,424,312	9,959,352	15,840,656	29,224,320	8,673,082
<b>Net Assets - End of year</b>	<u>\$ 4,106,527</u>	<u>\$ 9,637,780</u>	<u>\$ 15,506,822</u>	<u>\$ 29,251,129</u>	<u>\$ 8,668,171</u>

# City of East Lansing, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2005

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 3,409,967	\$ 2,620,340	\$ 6,591,934	\$ 12,622,241	\$ 8,153,755
Payments to suppliers	(1,932,453)	(2,135,091)	(4,735,504)	(8,803,048)	(1,147,976)
Claims paid	-	-	-	-	(4,922,894)
Payments to employees	1,220	(292,776)	(19,633)	(311,189)	(380,919)
Payments from other funds	-	-	-	-	-
Net cash provided by operating activities	1,478,734	192,473	1,836,797	3,508,004	1,701,966
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating transfers from other funds	428,640	-	-	428,640	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal and interest paid on long-term debt	(2,306,802)	-	(1,396,997)	(3,703,799)	(378,620)
Proceeds from issuance of long-term debt	-	-	4,346,222	4,346,222	2,500,000
Federal and state grants	-	-	-	-	292,050
Contribution from DDA	427,200	-	-	427,200	-
Purchase of capital assets	(46,576)	-	(4,601,590)	(4,648,166)	(10,648,219)
Proceeds from sale of capital assets	-	-	-	-	28,736
Water and sewer authority	-	(191,220)	-	(191,220)	-
Net cash used in capital and related financing activities	(1,926,178)	(191,220)	(1,652,365)	(3,769,763)	(8,206,053)
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	20,058	(1,253)	3,019	21,824	98,085
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,254	-	187,451	188,705	(6,406,002)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,045	-	388,266	391,311	11,872,082
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 4,299</u>	<u>\$ -</u>	<u>\$ 575,717</u>	<u>\$ 580,016</u>	<u>\$ 5,466,080</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,033,178	\$ 190,478	\$ (121,834)	\$ 1,101,822	\$ (236,782)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Amortization	27,814	-	-	27,814	-
Depreciation	640,175	178,350	1,572,787	2,391,312	1,021,575
Changes in assets and liabilities:					
Receivables	(43,078)	(8,103)	20,446	(30,735)	165,555
Due from other governmental units	99,188	-	(199,216)	(100,028)	-
Other assets	-	24,503	9,915	34,418	22,690
Accounts payable	(272,364)	(189,889)	503,046	40,793	699,917
Accrued interest payable	-	(1,366)	-	(1,366)	-
Accrued wages	1,220	-	(19,633)	(18,413)	170,500
Due to other governmental units	-	-	59,082	59,082	-
Other liabilities	(7,399)	(1,500)	12,204	3,305	(141,489)
Due to other funds	-	-	-	-	-
Net cash provided by operating activities	<u>\$ 1,478,734</u>	<u>\$ 192,473</u>	<u>\$ 1,836,797</u>	<u>\$ 3,508,004</u>	<u>\$ 1,701,966</u>

During 2005 and 2004, there were no noncash investing, capital, or financing activities.

# City of East Lansing, Michigan

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## **Fiduciary Fund Statement of Net Assets June 30, 2005**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 979,364
Investments	297,377
Accounts receivable (Note 4)	<u>131,478</u>
 Total assets	 <b><u>\$ 1,408,219</u></b>
 <b>Liabilities</b>	
Accounts payable	\$ 1,993
Due to other governments	233,831
Accrued and other liabilities	<u>1,172,395</u>
 Total liabilities	 <b><u>\$ 1,408,219</u></b>



# City of East Lansing, Michigan

## Component Units Statement of Net Assets June 30, 2005

	Downtown Development Authority	Downtown Management Board	Brownsfield Authority Fund	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 4,032	\$ 3,756	\$ 354	\$ 8,142
Other receivables (Note 4)	60,347	141,588	31,000	232,935
Capital assets - Net	<u>650,785</u>	<u>-</u>	<u>-</u>	<u>650,785</u>
Total assets	715,164	145,344	31,354	891,862
<b>Liabilities</b>				
Accounts payable	9,951	1,273	-	11,224
Bonds payable	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Total liabilities	<u>709,951</u>	<u>1,273</u>	<u>-</u>	<u>711,224</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	(49,215)	-	-	(49,215)
Unrestricted	<u>54,428</u>	<u>144,071</u>	<u>31,354</u>	<u>229,853</u>
Total net assets	<u>\$ 5,213</u>	<u>\$ 144,071</u>	<u>\$ 31,354</u>	<u>\$ 180,638</u>

# City of East Lansing, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Downtown Development Authority	\$ 1,087,458	\$ 50,739	\$ 110,553
Downtown Management Board	54,640	-	-
Brownsfield Authority Fund	<u>60,646</u>	<u>67,000</u>	<u>25,000</u>
Total component unit activities	<u><b>\$ 1,202,744</b></u>	<u><b>\$ 117,739</b></u>	<u><b>\$ 135,553</b></u>

## General revenues:

Property taxes

Interest

Miscellaneous

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended June 30, 2005**

Net (Expense) Revenue and Changes in Net Assets			
Downtown Development Authority	Downtown Management Board	Brownsfield Authority Fund	Total
\$ (926,166)	\$ -	\$ -	\$ (926,166)
-	(54,640)	-	(54,640)
-	-	31,354	31,354
(926,166)	(54,640)	31,354	(949,452)
846,327	-	-	846,327
2,886	196	-	3,082
20	-	-	20
849,233	196	-	849,429
(76,933)	(54,444)	31,354	(100,023)
82,146	198,515	-	280,661
<b>\$ 5,213</b>	<b>\$ 144,071</b>	<b>\$ 31,354</b>	<b>\$ 180,638</b>

# City of East Lansing, Michigan

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## Notes to Financial Statements June 30, 2005

### Note I - Summary of Significant Accounting Policies

The accounting policies of the City of East Lansing, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Lansing, Michigan:

#### Reporting Entity

The City of East Lansing, Michigan is governed by an elected five-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Discretely Presented Component Units** - The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. This authority's governing body, which consists of 13 individuals, is appointed by the City Council. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is 410 Abbott Road, East Lansing, MI 48823.
- b. The Downtown Management Board was formed by the City Council in accordance with Michigan Public Act 146 to market and promote the downtown, to maintain common areas of the downtown, and to recruit and retain business in the downtown. This board's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the board's budget is subject to approval by the City Council. The board's administrative office is 410 Abbott Road, East Lansing, MI 48823.
- c. The Brownsfield Authority Fund was formed by the City Council in FY 2003-2004 in accordance with P.A. 381. The governing body is comprised of the same 13 individuals who were appointed by Council to the Downtown Development Authority. The purpose of the fund is to authorize and permit the use of certain tax incremental financing for developmental projects, preferably on contaminated or blighted areas. The fund's administrative office is 410 Abbott Road, East Lansing, MI 48823.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Amounts reported as general revenues represent:

- a. Revenues received from the City's own taxpayers (property taxes)
- b. Revenues received from parties outside the government whose use is unrestricted (state-shared revenue, franchise fees, and other miscellaneous revenues)
- c. Revenues generated by the City itself (unrestricted investment earnings).

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The government reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

**Automobile Parking System Fund** - The Automobile Parking System Fund is used to account for revenue and expenses relating to street meters, metered parking lots, two attended parking lots, and four attended parking ramps. The Building Authority was used to construct the parking structure and its activities have been blended into the Automobile Parking System Fund.

**Water Supply System Fund** - The Water Supply System Fund is used to account for the purchase and distribution of water to East Lansing citizens. Treated water is purchased from the East Lansing - Meridian Water and Sewer Authority. User charges to customers based upon water consumption account for substantially all of the revenue of this fund.

**Sewage Disposal System Fund** - The Sewage Disposal System Fund is used to account for the sewage collection system within the City and the wastewater treatment plant. Revenue consists of resident user fees and wastewater treatment payments by Michigan State University and Meridian Township.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following activities are reported in internal service funds: self-insured workers' compensation, medical benefits, retiree health care, operation and maintenance of the motor vehicle fleet, and computers and equipment used by the various City departments.

**Fiduciary Fund (Agency Fund)** - The Fiduciary Fund (Agency Fund) is used to account for the collection of developer deposits and escrow accounts that will subsequently be transferred to third parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewage Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Taxes** - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2004 tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations. The 2004 taxable valuation of the City totaled \$758.8 million. The tax levy and related revenue (net of delinquent amounts, etc.) were as follows:

Purpose	Millage Rate	Revenue
General operating	15.6470	\$ 11,631,000
Debt	2.0430	1,519,000
Other tax items		<u>2,030,000</u>
Total reported in the General Fund		15,180,000
Solid Waste Fund	1.5900	<u>1,180,000</u>
Total		<u>\$ 16,360,000</u>

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.



# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note I - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - Restricted assets represent unspent bond proceeds; the respective bond ordinances require these proceeds to be segregated and used only for the purposes of the bond issue.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 or an aggregate cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets acquired prior to the adoption of GASB 34 have been retroactively reported.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	7 years
Infrastructure	15 to 50 years
Streets	25 years
Water and sewer mains	50 years
Library books and electronic resources	5 years
Vehicles	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued for employees eligible to retire who will be paid out when they separate from service with the City as well as an estimate for those employees that will become eligible to retire based on past results. Sick pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the budgeted nonmajor funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects and, therefore, its financial activity has been omitted from the budget statement.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in instruments that are acceptable under Michigan Public Act 20 of 1943 as amended. In addition, the City imposes other restrictions on allowable investments. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Fund investment earnings are allocated to the General Fund.

The City has designated 15 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$11,626,029 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City has \$5,537 of U.S. agency securities and \$296,626 of U.S. government securities held by the counterparty.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270 day maturity. At year end, the average maturities of the U.S. agency securities and the U.S. government securities are six months.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the City has \$231,551 in mutual funds that are unrated.

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Nonmajor and Other Funds	Total
Receivables:						
Taxes	\$ 76,376	\$ -	\$ -	\$ -	\$ -	\$ 76,376
Accounts	546,494	75,142	557,072	678,827	199,798	2,057,333
Special assessments	3,747,247	-	-	-	419,039	4,166,286
Interest and other	28,121	-	-	898	85,334	114,353
Less allowance for uncollectibles	<u>128,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,291</u>
Net receivables	<u>\$ 4,269,947</u>	<u>\$ 75,142</u>	<u>\$ 557,072</u>	<u>\$ 679,725</u>	<u>\$ 704,171</u>	<u>\$ 6,286,057</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City has \$4,563,330 in unavailable special assessment deferred revenue.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

<b>Governmental Activities</b>	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 5,630,394	\$ 130,000	\$ -	\$ 5,760,394
Construction in progress	363,634	-	363,634	-
Subtotal	5,994,028	130,000	363,634	5,760,394
Capital assets being depreciated:				
Land improvements	4,613,600	27,616	-	4,641,216
Buildings and improvements	25,346,184	9,955,751	-	35,301,935
Vehicles	5,952,519	1,110,334	376,172	6,686,681
Equipment	8,486,174	592,069	-	9,078,243
Library books and electronic resources	1,030,132	171,316	160,000	1,041,448
Traffic signals	1,322,160	60,000	-	1,382,160
Streets	32,679,181	1,683,599	-	34,362,780
Decorative street lights	1,237,744	-	-	1,237,744
Pathways	39,366	-	-	39,366
Sidewalks	8,134	-	-	8,134
Bridges	772,735	-	-	772,735
Subtotal	81,487,929	13,600,685	536,172	94,552,442
Accumulated depreciation:				
Land improvements	1,076,905	227,209	-	1,304,114
Buildings and improvements	5,598,635	605,453	68,811	6,135,277
Vehicles	3,966,082	695,893	286,859	4,375,116
Equipment	7,013,349	554,508	307,602	7,260,255
Library books and electronic resources	599,314	173,974	160,000	613,288
Traffic signals	702,839	83,092	-	785,931
Streets	11,247,798	1,340,839	-	12,588,637
Decorative street lights	516,170	82,542	-	598,712
Pathways	984	1,968	-	2,952
Sidewalks	136	271	-	407
Bridges	161,895	15,455	-	177,350
Subtotal	30,884,107	3,781,204	823,272	33,842,039
Net capital assets being depreciated	50,603,822	9,819,481	(287,100)	60,710,403
Net capital assets	\$ 56,597,850	\$ 9,949,481	\$ 76,534	\$ 66,470,797

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 2,186,695	\$ -	\$ -	\$ 2,186,695
Construction in progress	<u>6,599,082</u>	<u>4,363,469</u>	<u>5,128,920</u>	<u>5,833,631</u>
Subtotal	8,785,777	4,363,469	5,128,920	8,020,326
Capital assets being depreciated:				
Buildings and building improvements	47,870,584	63,475	-	47,934,059
Water and sewer mains	38,200,786	20,800	-	38,221,586
Equipment	<u>1,963,337</u>	<u>5,329,341</u>	<u>-</u>	<u>7,292,678</u>
Subtotal	88,034,707	5,413,616	-	93,448,323
Accumulated depreciation:				
Buildings and building improvements	19,024,973	1,081,794	-	20,106,767
Water and sewer mains	9,520,829	1,054,248	-	10,575,077
Equipment	<u>1,120,110</u>	<u>255,271</u>	<u>-</u>	<u>1,375,381</u>
Subtotal	<u>29,665,912</u>	<u>2,391,313</u>	<u>-</u>	<u>32,057,225</u>
Net capital assets being depreciated	<u>58,368,795</u>	<u>3,022,303</u>	<u>-</u>	<u>61,391,098</u>
Net capital assets	<u>\$ 67,154,572</u>	<u>\$ 7,385,772</u>	<u>\$ 5,128,920</u>	<u>\$ 69,411,424</u>

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 208,912
Library	245,630
Public safety	164,858
Public works	1,589,583
Community and economic development	1,510
Recreation and culture	543,922
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>1,026,789</u>

Total governmental activities	<u>\$ 3,781,204</u>
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Business-type activities:

Water	\$ 178,350
Sewer	1,572,787
Parking	<u>640,176</u>

Total business-type activities	<u>\$ 2,391,313</u>
--------------------------------	---------------------

**Construction Commitments** - The City has active construction projects at year end. The projects include the Local Street maintenance contracts, Coolidge/Coleman Road Special Assessment bond issue, sewer repair projects, the combined sewer overflow project design, and the new Department of Public Works facility. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street projects	\$ 1,228,999	\$ 501,719
Other projects	2,285	11,215
Combined sewer overflow project	5,705,853	3,505,850
Department of Public Works facility	<u>7,859,489</u>	<u>857,383</u>
Total	<u>\$ 14,796,626</u>	<u>\$ 4,876,167</u>

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2005 consisted of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Library Fund	\$ 1,434,840
	Senior Fund	133,786
	Parks and Recreation Fund	1,167,690
	Debt Service Fund	2,341,485
	Capital Projects Fund Parks	8,000
	Parking Fund	<u>428,640</u>
	Subtotal	5,514,441
Major Streets Fund	Local Streets Fund	650,000
Library Fund	Debt Service Fund	<u>186,774</u>
	Subtotal	<u>836,774</u>
	Total interfund transfers	<u><u>\$ 6,351,215</u></u>

Transfers are used to provide resources from unrestricted General Fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Streets Fund is allowed under Act 51 to share a portion of its gas and weight tax revenues with the Local Streets Fund. The Library Fund's transfer is used to move funds collected by the Library Fund to the Debt Service Fund as debt service payments come due.



# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
Unlimited Tax Refunding Bonds	\$ 1,200,000	\$ -	\$ 280,000	\$ 920,000	\$ 295,000
Unlimited Tax Bonds Series A (1996)	3,775,000	-	230,000	3,545,000	240,000
Unlimited Tax Bonds Series B (1998)	7,575,000	-	360,000	7,215,000	380,000
Unlimited Tax Bonds Series (1999)	1,335,000	-	60,000	1,275,000	65,000
Limited Tax Downtown Development Bonds (2000)	3,530,000	-	70,000	3,460,000	70,000
2003 Public Service Garage Bonds	6,860,000	-	195,000	6,665,000	200,000
2004 Limited Tax Bonds	-	2,500,000	-	2,500,000	60,000
Less deferred charge on refunding	(84,504)	3,380	-	(81,124)	-
Special assessment bonds:					
Bond Series A (1998)	395,000	-	100,000	295,000	100,000
Bond Series B (1998)	200,000	-	50,000	150,000	50,000
Bond Series (2002)	4,295,000	-	560,000	3,735,000	550,000
Other long-term obligations - Compensated absences	2,945,216	1,976,890	1,754,953	3,167,153	1,734,767
Total governmental activities	<u>\$ 32,025,712</u>	<u>\$ 4,480,270</u>	<u>\$ 3,659,953</u>	<u>\$ 32,846,029</u>	<u>\$ 3,744,767</u>

The Limited Tax Downtown Development Bonds (2000) are intended to be funded by contributions from the Downtown Development Authority.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
General obligation bonds:					
Unlimited Tax Refunding Bonds, Series A 1993	\$ 335,000	\$ -	\$ 160,000	\$ 175,000	\$ 175,000
Limited Tax Building Authority Refunding Bonds Series 1999	7,550,000	-	435,000	7,115,000	450,000
Limited Tax Bonds Series 1994 - CSO	4,135,000	-	280,000	3,855,000	290,000
Limited Tax Bonds Series 1995 - CSO	8,860,000	-	595,000	8,265,000	605,000
Limited Tax Bonds Series 1996	2,740,000	-	155,000	2,585,000	155,000
Building Authority Bonds 1997	795,000	-	35,000	760,000	40,000
Building Authority Bonds 2000	11,640,000	-	315,000	11,325,000	330,000
Limited Tax Certificates of Participation 2001	2,480,000	-	165,000	2,315,000	170,000
Limited Tax Bonds Series 2000	575,000	-	25,000	550,000	25,000
Limited Tax Certificates of Participation 2001B	1,820,000	-	120,000	1,700,000	125,000
Limited Tax Bond Series 2004 - CSO	1,392,690	4,346,222	-	5,738,912	-
Less deferred charge on refunding	(299,384)	23,072	-	(276,312)	-
Other long-term obligations - Compensated absences	171,004	130,889	143,421	158,472	136,252
Total business-type activities	\$ 42,194,310	\$ 4,500,183	\$ 2,428,421	\$ 44,266,072	\$ 2,501,252
<b>Downtown Development Authority -</b>					
Installment loan agreement - Building	\$ 700,000	\$ -	\$ -	\$ 700,000	\$ -

Annual debt service requirements to maturity for the above obligations (excluding compensated absences and deferred changes in refunding) are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 2,010,000	\$ 1,424,109	\$ 3,434,109	\$ 2,365,000	\$ 1,685,499	\$ 4,050,499
2007	2,090,000	1,299,710	3,389,710	2,655,000	1,630,132	4,285,132
2008	2,120,000	1,204,033	3,324,033	2,755,000	1,532,791	4,287,791
2009	1,705,000	1,117,135	2,822,135	2,840,000	1,431,036	4,271,036
2010	1,760,000	1,044,049	2,804,049	2,945,000	1,329,424	4,274,424
2011-2015	8,145,000	4,046,222	12,191,222	16,505,000	4,925,092	21,430,092
2016-2020	6,525,000	2,285,812	8,810,812	10,253,912	1,928,611	12,182,523
2021-2025	4,155,000	1,033,594	5,188,594	4,065,000	678,325	4,743,325
2026-2028	1,250,000	117,245	1,367,245	-	-	-
Total	\$ 29,760,000	\$ 13,571,909	\$ 43,331,909	\$ 44,383,912	\$ 15,140,910	\$ 59,524,822

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 8 - Restricted Assets

Restricted assets consist of cash and investments of governmental activities for the City in the form of unspent bond proceeds and related interest in the amount of \$478.

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, and errors and omissions claims. All eligible employees are covered by commercial health insurance. The City is self-insured for employees' injuries (workers' compensation) and retirees' medical claims. The City has purchased commercial stop-loss insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 20 fiscal years.

The City estimates the liability for employee injuries (workers' compensation) and medical benefits claims that has been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. This liability is reported in the Insurance and Benefits Internal Service Fund and in governmental activities in the government-wide financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
<b>Unpaid Claims - Beginning of year</b>	\$ 408,522	\$ 437,624
Incurred claims (including claims incurred but not reported)	3,057,434	4,004,058
Claim payments	(3,201,089)	(4,033,160)
<b>Unpaid Claims - End of year</b>	<u>\$ 264,867</u>	<u>\$ 408,522</u>

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 10 - Defined Benefit Pension Plan and Postretirement Benefits

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1147 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 0.0 percent to 6.7 percent of gross wages for various bargaining units

**Annual Pension Costs** - For the year ended 2005, the City's annual pension cost of \$2,457,259 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost-of-living adjustments for police and fire. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

Fiscal Year Ended June 30	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,986,983	\$ 2,085,242	\$ 2,457,259
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
Actuarial Valuation as of December 31	2002	2003	2004
Actuarial value of assets	\$ 83,016,541	\$ 86,106,367	\$ 88,846,287
Actuarial accrued liability (entry age)	104,281,739	110,274,433	116,298,037
Unfunded AAL	21,265,198	24,168,066	27,451,750
Funded ratio	80%	78%	76%
Covered payroll	14,932,647	14,934,354	14,809,360
UAAL as a percentage of covered payroll	142%	162%	185%

### **Note 10 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)**

#### **Defined Contribution Pension Plan**

Effective November 1, 1999, the City provides pension benefits to its various nonunion senior, nonunion junior, UAW nonsupervisory senior, UAW nonsupervisory junior, and independent employees through a MERS defined contribution plan. The MERS defined contribution plan provides retirement and death benefits to plan members and their beneficiaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the City's competitive bargaining units, the City contributes 7.0 percent to 10.5 percent and employees contribute 0.0 percent to 3.5 percent of employees' gross earnings. In accordance with these requirements, the City contributed \$541,728 during the current year, and employees contributed \$152,910.

#### **Postretirement Benefits**

The City provides health care benefits to various employees in accordance with the various bargaining units' contracts upon retirement. Currently, 183 retirees are eligible. The City includes retirees and their spouses in either its commercial health insurance or its self-insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the claims are incurred or premiums are paid; during the year, this amounted to \$781,540. The City also is advance funding postretirement health care benefits on a basis which is not actuarially determined.

During the year ended June 30, 2005, there were no contributions for advance funding. At June 30, 2005, the net assets available for future benefit payments was \$1,893,722 and has been recorded in the Insurance and Benefits Fund (an Internal Service Fund type).

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2007.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 11 - Joint Venture

The City is a member of the East Lansing - Meridian Water and Sewer Authority (the "Authority"), which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the City contributed \$1,124,591 for its operations and debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2005. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbott Road, East Lansing, Michigan.

Total assets	\$ 8,382,401
Total liabilities	377,107
Total net assets	8,005,294
Total operating revenue	2,642,116
Total operating expenses	2,923,127
Decrease in net assets	534,827
Total joint venture's outstanding debt	-

The contract between the City of East Lansing and the Authority provides that the City of East Lansing will pay to the Authority amounts sufficient to fund the principal and interest requirements on certain bond issues. The bond was paid off during the year ended June 30, 2005.

# City of East Lansing, Michigan

## Notes to Financial Statements June 30, 2005

### Note 12 - Construction Code Fees

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000, is as follows:

Surplus at July 1, 2004	\$	380,757
Current year building permit revenue		688,933
Related expenses:		
Direct costs		517,615
Indirect costs		<u>298,762</u>
Cumulative surplus at June 30, 2005	\$	<u><u>253,313</u></u>

Prior to July 1, 2004, only the direct costs have been applied toward the direct revenues. Indirect costs, if added, would more than offset the cumulative surplus, therefore, the City has complied with the law.

### Note 13 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds	Capital Projects Fund
Appropriated for 2006 Budget	\$ 272,845	\$ 263,250	\$ -
Designated for special purposes	<u>231,219</u>	<u>640,917</u>	<u>285,807</u>
Total	<u><u>\$ 504,064</u></u>	<u><u>\$ 904,167</u></u>	<u><u>\$ 285,807</u></u>

# City of East Lansing, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Resources (Inflows)</b>				
Taxes	\$ 15,049,360	\$ 15,049,360	\$ 15,181,280	\$ 131,920
Licenses and permits	1,243,600	1,243,600	1,448,979	205,379
Intergovernmental revenue	6,464,575	6,660,585	6,581,845	(78,740)
Charges for services	3,171,860	3,774,680	3,879,152	104,472
Fines	3,418,500	3,464,670	3,199,484	(265,186)
Investment income	-	130,500	172,514	42,014
Other revenue	681,160	720,660	727,247	6,587
Transfers in - Other funds	656,640	-	-	-
Other financing sources - Fund balance	568,025	1,048,130	-	(1,048,130)
Total available for appropriation	31,253,720	32,092,185	31,190,501	(901,684)
<b>Charges to Appropriations (Outflows)</b>				
General government	7,964,065	8,010,070	7,841,240	168,830
Public safety	15,817,630	16,018,240	15,849,325	168,915
Public works - Sanitation	154,000	155,945	155,942	3
Public works - Highway and streets	656,565	656,565	588,657	67,908
Health and welfare and community development	228,050	254,385	185,097	69,288
Culture and recreation	1,332,390	1,400,995	1,400,983	12
Other expenditures	30,000	30,000	32,996	(2,996)
Transfer out - Other funds	5,071,020	5,565,985	5,514,441	51,544
Total charges to appropriations	31,253,720	32,092,185	31,568,681	523,504
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of the year	3,485,510	3,485,510	3,485,510	-
Change in fund balance	(568,025)	(1,048,130)	(378,180)	669,950
<b>Fund Balance</b> - End of year	<u>\$ 2,917,485</u>	<u>\$ 2,437,380</u>	<u>\$ 3,107,330</u>	<u>\$ 669,950</u>



# City of East Lansing, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2005**

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Debt Service Fund, with the following exceptions:

- a. Fund balance appropriations are reported as a resource.
- b. Transfers out to other funds are reported as a charge to appropriations.
- c. Transfers in from other funds are reported as an amount available for appropriations.

By the end of February each year, all department heads submit spending requests to the Finance Director so that a budget may be prepared. Before the first Council meeting in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the second Council meeting in May. The City Council must approve any budget amendments. The General Fund, Special Revenue Funds, and component units budgets were amended by \$265,105, \$46,185, and \$93,500, respectively; however, the final budget amendment were approved after June 30. The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the functional level. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrances are not included as expenditures or liabilities. Unexpended appropriations lapse at year end.

# City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
<b>Assets</b>					
Cash and investments	\$ 1,345,358	\$ 249,782	\$ 119,774	\$ 46,643	\$ -
Receivables - Net	6,090	1,137	300	-	-
Due from other governmental units	457,275	99,225	20,240	-	33,831
Inventories	-	-	-	-	-
Total assets	<u>\$ 1,808,723</u>	<u>\$ 350,144</u>	<u>\$ 140,314</u>	<u>\$ 46,643</u>	<u>\$ 33,831</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 8,704	\$ 2,611	\$ 19,834	\$ 13,818	\$ 33,831
Accrued and other liabilities	-	-	30,930	3,287	-
Total liabilities	8,704	2,611	50,764	17,105	33,831
<b>Fund Balances</b>					
Reserved - Reserved for inventory	-	-	-	-	-
Reserved - Encumbrances	14,315	-	-	-	-
Unreserved:					
Designated	674,157	35,485	45,045	-	-
Undesignated	1,111,547	312,048	44,505	29,538	-
Total fund balances	1,800,019	347,533	89,550	29,538	-
Total liabilities and fund balances	<u>\$ 1,808,723</u>	<u>\$ 350,144</u>	<u>\$ 140,314</u>	<u>\$ 46,643</u>	<u>\$ 33,831</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005**

			Capital Projects Funds			
Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	Total Nonmajor Governmental Funds
\$ 310,070	\$ 792,410	\$ 16,898	\$ 10,763	\$ 263,986	\$ 69,208	\$ 3,224,892
37,504	52,569	-	-	-	-	97,600
-	-	-	-	-	-	610,571
-	16,481	-	-	-	-	16,481
<u>\$ 347,574</u>	<u>\$ 861,460</u>	<u>\$ 16,898</u>	<u>\$ 10,763</u>	<u>\$ 263,986</u>	<u>\$ 69,208</u>	<u>\$ 3,949,544</u>
\$ 80,411	\$ 25,768	\$ 206	\$ -	\$ 12,387	\$ -	\$ 197,570
67,889	1,771	1,638	6,156	-	-	111,671
148,300	27,539	1,844	6,156	12,387	-	309,241
-	16,481	-	-	-	-	16,481
2,426	4,250	-	-	35,000	-	55,991
90,000	59,480	-	-	216,599	69,208	1,189,974
106,848	753,710	15,054	4,607	-	-	2,377,857
199,274	833,921	15,054	4,607	251,599	69,208	3,640,303
<u>\$ 347,574</u>	<u>\$ 861,460</u>	<u>\$ 16,898</u>	<u>\$ 10,763</u>	<u>\$ 263,986</u>	<u>\$ 69,208</u>	<u>\$ 3,949,544</u>

# City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	635,219
State sources	2,311,006	669,357	40,608	-	-
Intergovernmental revenue	125,828	-	151,843	230	-
Charges for services	-	-	68,946	43,346	-
Fines and fees	-	-	42,495	-	-
Interest and rent	26,974	5,123	4,073	849	-
Other revenue	8,639	29,347	100,426	24,777	12,142
Total revenue	2,472,447	703,827	408,391	69,202	647,361
<b>Expenditures</b>					
Culture and recreation	-	-	1,628,244	208,023	-
Community development	-	-	-	-	647,599
Public works - Sanitation	-	-	-	-	-
Highways and streets	1,311,806	1,399,842	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	1,311,806	1,399,842	1,628,244	208,023	647,599
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	1,160,641	(696,015)	(1,219,853)	(138,821)	(238)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	650,000	1,434,840	133,786	-
Transfers out	(650,000)	-	(186,774)	-	-
Total other financing sources (uses)	(650,000)	650,000	1,248,066	133,786	-
<b>Change in Fund Balances</b>	510,641	(46,015)	28,213	(5,035)	(238)
<b>Fund Balances - Beginning of year</b>	1,289,378	393,548	61,337	34,573	238
<b>Fund Balances - End of year</b>	<u>\$ 1,800,019</u>	<u>\$ 347,533</u>	<u>\$ 89,550</u>	<u>\$ 29,538</u>	<u>\$ -</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2005**

				Capital Projects Funds		
Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	Total Nonmajor Governmental Funds
\$ -	\$ 1,178,030	\$ -	\$ -	\$ -	\$ -	\$ 1,178,030
9,950	-	-	-	-	-	645,169
72,375	-	-	-	-	-	3,093,346
17,300	-	-	332,540	-	-	627,741
1,982,784	333,310	16,085	-	-	-	2,444,471
-	-	-	-	-	-	42,495
251,732	19,009	44,786	187	5,505	515	358,753
35,305	-	64,346	-	-	50,613	325,595
2,369,446	1,530,349	125,217	332,727	5,505	51,128	8,715,600
3,427,660	-	130,712	-	-	-	5,394,639
-	-	-	-	-	-	647,599
-	1,412,207	-	-	-	-	1,412,207
-	-	-	-	-	-	2,711,648
14,159	-	-	-	56,596	30,454	101,209
-	-	-	2,860,799	-	-	2,860,799
3,441,819	1,412,207	130,712	2,860,799	56,596	30,454	13,128,101
(1,072,373)	118,142	(5,495)	(2,528,072)	(51,091)	20,674	(4,412,501)
1,167,690	-	-	2,528,259	-	8,000	5,922,575
-	-	-	-	-	-	(836,774)
1,167,690	-	-	2,528,259	-	8,000	5,085,801
95,317	118,142	(5,495)	187	(51,091)	28,674	673,300
103,957	715,779	20,549	4,420	302,690	40,534	2,967,003
<u>\$ 199,274</u>	<u>\$ 833,921</u>	<u>\$ 15,054</u>	<u>\$ 4,607</u>	<u>\$ 251,599</u>	<u>\$ 69,208</u>	<u>\$ 3,640,303</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 2,150,675	\$ 2,150,675	\$ 2,436,834	\$ 286,159
Interest income	13,080	13,080	26,974	13,894
Other	5,000	5,000	8,639	3,639
Other - Appropriated from fund balance	51,550	109,943	-	(109,943)
Total available for appropriation	2,220,305	2,278,698	2,472,447	193,749
<b>Charges to Appropriations (Outflows)</b>				
Highways and streets	1,487,715	1,628,698	1,311,806	316,892
Transfer out - Other fund	732,590	650,000	650,000	-
Total charges to appropriations	2,220,305	2,278,698	1,961,806	316,892
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of year	1,289,377	1,289,377	1,289,377	-
Change in fund balance	(51,550)	(109,943)	510,641	620,584
<b>Fund Balance</b> - End of year	<u>\$ 1,237,827</u>	<u>\$ 1,179,434</u>	<u>\$ 1,800,018</u>	<u>\$ 620,584</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Local Streets Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 588,285	\$ 588,285	\$ 669,357	\$ 81,072
Interest income	5,240	5,240	5,123	(117)
Other	18,000	18,000	29,346	11,346
Other - Appropriated from fund balance	54,700	133,684	-	(133,684)
Transfers in - Other funds	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>
Total available for appropriation	1,316,225	1,395,209	1,353,826	(41,383)
<b>Charges to Appropriations (Outflows) -</b>				
Highways and streets	<u>1,316,225</u>	<u>1,395,209</u>	<u>1,399,842</u>	<u>(4,633)</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance - Beginning of year</b>	393,549	393,549	393,549	-
Change in fund balance	<u>(54,700)</u>	<u>(133,684)</u>	<u>(46,016)</u>	<u>87,668</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 338,849</b></u>	<u><b>\$ 259,865</b></u>	<u><b>\$ 347,533</b></u>	<u><b>\$ 87,668</b></u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Library Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 196,930	\$ 190,465	\$ 192,451	\$ 1,986
Charges for services	65,000	67,080	68,946	1,866
Fines and fees	43,000	43,000	42,495	(505)
Interest income	1,540	1,540	4,073	2,533
Other revenues	57,270	78,095	100,426	22,331
Transfer in - Other funds	<u>1,434,840</u>	<u>1,434,840</u>	<u>1,434,840</u>	<u>-</u>
Total available for appropriation	1,798,580	1,815,020	1,843,231	28,211
<b>Charges to Appropriations (Outflows)</b>				
Culture and recreation	1,611,665	1,628,105	1,628,244	(139)
Contribution to Debt Service Fund transfer out - Other funds	<u>186,915</u>	<u>186,915</u>	<u>186,774</u>	<u>141</u>
Total charges to appropriations	<u>1,798,580</u>	<u>1,815,020</u>	<u>1,815,018</u>	<u>2</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of year	61,337	61,337	61,337	-
Change in fund balance	<u>-</u>	<u>-</u>	<u>28,213</u>	<u>28,213</u>
<b>Fund Balance</b> - End of year	<u>\$ 61,337</u>	<u>\$ 61,337</u>	<u>\$ 89,550</u>	<u>\$ 28,213</u>



# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Senior Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Charges for services	\$ 47,200	\$ 47,200	\$ 43,576	\$ (3,624)
Interest income	280	280	849	569
Other revenues	15,400	15,400	24,777	9,377
Other - Appropriated from fund balance	-	7,910	-	(7,910)
Transfers in - Other funds	<u>137,235</u>	<u>137,235</u>	<u>133,786</u>	<u>(3,449)</u>
Total available for appropriation	200,115	208,025	202,988	(5,037)
<b>Charges to Appropriations (Outflows) -</b>				
Culture and recreation	<u>200,115</u>	<u>208,025</u>	<u>208,023</u>	<u>2</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of year	34,573	34,573	34,573	-
Change in fund balance	<u>-</u>	<u>(7,910)</u>	<u>(5,035)</u>	<u>2,875</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 34,573</b></u>	<u><b>\$ 26,663</b></u>	<u><b>\$ 29,538</b></u>	<u><b>\$ 2,875</b></u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Parks and Recreation Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Grants	\$ 99,700	\$ 99,700	\$ 99,625	\$ (75)
Charges for services	2,403,130	2,114,830	1,982,784	(132,046)
Interest and rent	355	262,255	251,732	(10,523)
Other revenues	-	26,400	35,305	8,905
Other - Appropriated from fund balance	-	57,025	-	(57,025)
Transfers in - Other funds	<u>1,167,690</u>	<u>1,167,690</u>	<u>1,167,690</u>	<u>-</u>
Total available for appropriation	3,670,875	3,727,900	3,537,136	(190,764)
<b>Charges to Appropriations (Outflows) -</b>				
Culture and recreation	<u>3,670,875</u>	<u>3,727,900</u>	<u>3,441,819</u>	<u>286,081</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	103,957	103,957	103,957	-
Change in fund balance	<u>-</u>	<u>(57,025)</u>	<u>95,317</u>	<u>152,342</u>
Fund Balance - End of year	<u><u>\$ 103,957</u></u>	<u><u>\$ 46,932</u></u>	<u><u>\$ 199,274</u></u>	<u><u>\$ 152,342</u></u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Solid Waste Management Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Taxes	\$ 1,176,300	\$ 1,176,300	\$ 1,178,030	\$ 1,730
Charges for services	216,250	216,250	333,310	117,060
Interest income	8,900	8,900	19,009	10,109
Other revenue	-	-	-	-
Other - Appropriated from fund balance	18,635	93,091	-	(93,091)
Total available for appropriation	1,420,085	1,494,541	1,530,349	35,808
<b>Charges to Appropriations (Outflows)</b>				
Public works - Sanitation	1,373,405	1,494,541	1,412,207	82,334
Transfer out - Other fund	46,680	-	-	-
Total charges to appropriations	1,420,085	1,494,541	1,412,207	82,334
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of year	715,779	715,779	715,779	-
Change in fund balance	-	(93,091)	118,142	211,233
<b>Fund Balance</b> - End of year	<u>\$ 715,779</u>	<u>\$ 622,688</u>	<u>\$ 833,921</u>	<u>\$ 211,233</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Art Festival Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Charges for services	\$ 12,900	\$ 12,900	\$ 9,175	\$ (3,725)
Interest and rent	340	50,840	44,786	(6,054)
Miscellaneous revenue	<u>109,250</u>	<u>58,750</u>	<u>71,256</u>	<u>12,506</u>
Total available for appropriation	122,490	122,490	125,217	2,727
<b>Charges to Appropriations (Outflows)</b>				
Culture and recreation	119,490	122,490	130,712	(8,222)
Transfer out - Other fund	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>122,490</u>	<u>122,490</u>	<u>130,712</u>	<u>(8,222)</u>
<b>Fund Balance Reconciliation</b>				
Fund Balance - Beginning of year	20,549	20,549	20,549	-
Change in fund balance	<u>-</u>	<u>-</u>	<u>(5,495)</u>	<u>(5,495)</u>
Fund Balance - End of year	<u>\$ 20,549</u>	<u>\$ 20,549</u>	<u>\$ 15,054</u>	<u>\$ (5,495)</u>

# City of East Lansing, Michigan

## Other Supplemental Information Budgetary Comparison Schedule (Continued) Debt Service Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows)</b>				
Intergovernmental revenue	\$ 353,590	\$ 353,590	\$ 332,540	\$ (21,050)
Interest revenue	-	-	187	187
Transfer from other funds	<u>2,528,585</u>	<u>2,528,585</u>	<u>2,528,259</u>	<u>(326)</u>
Total available for appropriation	2,882,175	2,882,175	2,860,986	(21,189)
<b>Charges to Appropriations (Outflows) -</b>				
Debt service	<u>2,882,175</u>	<u>2,882,175</u>	<u>2,860,799</u>	<u>21,376</u>
<b>Fund Balance Reconciliation</b>				
<b>Fund Balance</b> - Beginning of year	4,420	4,420	4,420	-
Change in fund balance	<u>-</u>	<u>-</u>	<u>187</u>	<u>187</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 4,420</u></u>	<u><u>\$ 4,420</u></u>	<u><u>\$ 4,607</u></u>	<u><u>\$ 187</u></u>

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 3,447,496	\$ 1,199,783	\$ 818,323	\$ 5,465,602
Receivables:				
Special assessments	-	419,039	-	419,039
Customers	-	8,963	-	8,963
Accrued interest	20,381	2,594	2,394	25,369
Other	21,721	-	-	21,721
Inventories	-	236,102	-	236,102
Total current assets	3,489,598	1,866,481	820,717	6,176,796
<b>Restricted Assets</b> - Investments	-	478	-	478
<b>Noncurrent Assets</b> - Capital assets	-	13,790,503	191,870	13,982,373
Total assets	3,489,598	15,657,462	1,012,587	20,159,647
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	660,329	796,447	16,466	1,473,242
Accrued liabilities and other	-	149,302	-	149,302
Claims payable	264,867	-	-	264,867
Current portion of long-term debt:				
Compensated absences	-	250,000	32,325	282,325
Bonds payable	-	460,000	-	460,000
Total current liabilities	925,196	1,655,749	48,791	2,629,736
Compensated absences payable	-	237,864	-	237,864
Long-term debt - Net of current portion	-	8,623,876	-	8,623,876
Total liabilities	925,196	10,517,489	48,791	11,491,476
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	-	4,707,105	191,870	4,898,975
Unrestricted	2,564,402	432,868	771,926	3,769,196
Total net assets	<u>\$ 2,564,402</u>	<u>\$ 5,139,973</u>	<u>\$ 963,796</u>	<u>\$ 8,668,171</u>

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2005

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
<b>Operating Revenue</b>				
User service charges	\$ 4,893,474	\$ 246,744	\$ 712,470	\$ 5,852,688
Equipment and building rental	-	2,071,670	-	2,071,670
Special assessment	-	30,666	-	30,666
Miscellaneous revenue	-	8,556	1,930	10,486
Total operating revenue	4,893,474	2,357,636	714,400	7,965,510
<b>Operating Expenses</b>				
Operating expenses	4,897,588	1,540,783	742,346	7,180,717
Depreciation	-	912,910	108,665	1,021,575
Total operating expenses	4,897,588	2,453,693	851,011	8,202,292
<b>Operating Loss</b>	(4,114)	(96,057)	(136,611)	(236,782)
<b>Nonoperating Income (Expense)</b>				
Interest income	77,356	109,084	17,349	203,789
Interest expense	-	(292,704)	-	(292,704)
Federal and state grants	-	292,050	-	292,050
Gain on sale of capital assets	-	28,736	-	28,736
Total nonoperating income	77,356	137,166	17,349	231,871
<b>Net Income (Loss)</b>	73,242	41,109	(119,262)	(4,911)
<b>Net Assets - Beginning of year</b>	2,491,160	5,098,864	1,083,058	8,673,082
<b>Net Assets - End of year</b>	<u>\$ 2,564,402</u>	<u>\$ 5,139,973</u>	<u>\$ 963,796</u>	<u>\$ 8,668,171</u>

# City of East Lansing, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2005

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 4,900,090	\$ 2,538,777	\$ 714,888	\$ 8,153,755
Payments to suppliers	-	(383,551)	(764,425)	(1,147,976)
Claims paid	(4,922,894)	-	-	(4,922,894)
Payments to employees	-	(380,919)	-	(380,919)
Net cash provided by (used in ) operating activities	(22,804)	1,774,307	(49,537)	1,701,966
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal and interest paid on long-term debt	-	(378,620)	-	(378,620)
Proceeds from issuance of long-term debt	-	2,500,000	-	2,500,000
Federal and state grants	-	292,050	-	292,050
Purchase of capital assets	-	(10,638,234)	(9,985)	(10,648,219)
Proceeds from sale of capital assets	-	28,736	-	28,736
Net cash used in capital and related financing activities	-	(8,196,068)	(9,985)	(8,206,053)
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	77,356	3,380	17,349	98,085
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	54,552	(6,418,381)	(42,173)	(6,406,002)
<b>Cash and Cash Equivalents - July 1, 2004</b>	3,392,944	7,618,642	860,496	11,872,082
<b>Cash and Cash Equivalents - June 30, 2005</b>	<u>\$ 3,447,496</u>	<u>\$ 1,200,261</u>	<u>\$ 818,323</u>	<u>\$ 5,466,080</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (4,114)	\$ (96,057)	\$ (136,611)	\$ (236,782)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	-	912,910	108,665	1,021,575
Changes in assets and liabilities:				
Receivables	6,616	158,451	488	165,555
Inventories	-	22,690	-	22,690
Accounts payable	118,349	605,813	(24,245)	699,917
Claims payable	(143,655)	-	-	(143,655)
Accrued wages	-	170,500	-	170,500
Other liabilities	-	-	2,166	2,166
Net cash provided by (used in) operating activities	<u>\$ (22,804)</u>	<u>\$ 1,774,307</u>	<u>\$ (49,537)</u>	<u>\$ 1,701,966</u>

During 2003 and 2002, there were no noncash investing, capital, or financing activities.



# City of East Lansing, Michigan

## Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2005

	Beginning of Year	Additions	Reductions	End of Year
<b>Assets</b>				
Cash and cash equivalents	\$ 773,300	\$ 35,141,013	\$ 34,934,949	\$ 979,364
Investments	346,814	13,804	63,241	297,377
Accounts receivable	109,482	8,309,577	8,287,581	131,478
Total assets	<u>\$ 1,229,596</u>	<u>\$ 43,464,394</u>	<u>\$ 43,285,771</u>	<u>\$ 1,408,219</u>
<b>Liabilities</b>				
Accounts payable	\$ 5,173	\$ 785,011	\$ 788,191	\$ 1,993
Due to other governments	193,522	34,616,848	34,576,539	233,831
Accrued and other liabilities	1,030,901	1,138,364	996,870	1,172,395
Total liabilities	<u>\$ 1,229,596</u>	<u>\$ 36,540,223</u>	<u>\$ 36,361,600</u>	<u>\$ 1,408,219</u>

# City of East Lansing, Michigan

## Other Supplemental Information Component Units – Fund-based Statements Downtown Development Authority Year Ended June 30, 2005

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>BALANCE SHEET/STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Cash and investments	\$ 4,032	\$ -	\$ 4,032
Receivables	60,347	-	60,347
Due from other governmental units	-	-	-
Capital assets	-	650,785	650,785
Total assets	<u>\$ 64,379</u>	650,785	715,164
<b>Liabilities</b>			
Accounts payable and accrued wages	\$ 9,951	-	9,951
Deferred revenue	54,425	(54,425)	-
Long-term debt due in more than one year	-	700,000	700,000
Total liabilities	64,376	645,575	709,951
<b>Fund Balance</b>	<u>3</u>	<u>(3)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 64,379</u>		
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		(49,215)	(49,215)
Unrestricted		54,428	54,428
Total net assets		<u>\$ 5,213</u>	<u>\$ 5,213</u>

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

<b>Revenue</b>			
Property tax capture	\$ 846,327	\$ -	\$ 846,327
Operating grants and contributions	258,541	(147,988)	110,553
Charges for services	50,759	-	50,759
Interest income	2,886	-	2,886
Total revenue	1,158,513	(147,988)	1,010,525
<b>Expenditures</b>			
Public works	1,172,797	(99,188)	1,073,609
Depreciation	-	13,849	13,849
Total expenditures	<u>1,172,797</u>	<u>(85,339)</u>	<u>1,087,458</u>
<b>Excess of Revenue Under Expenditures</b>	(14,284)	(62,649)	(76,933)
<b>Fund Balance/Net Assets</b>			
Beginning of year	14,287	67,859	82,146
End of year	<u>\$ 3</u>	<u>\$ 5,210</u>	<u>\$ 5,213</u>

# City of East Lansing, Michigan

## Other Supplemental Information Component Units – Fund-based Statements Downtown Management Board Year Ended June 30, 2005

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>BALANCE SHEET/STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Cash and investments	\$ 3,756	\$ -	\$ 3,756
Receivables	141,588	-	141,588
Total assets	<u>\$ 145,344</u>	-	145,344
<b>Liabilities</b>			
Accounts payable and accrued wages	\$ 1,273	-	1,273
Deferred revenue	141,588	(141,588)	-
Total liabilities	142,861	(141,588)	1,273
<b>Fund Balance</b>	2,483	(2,483)	-
Total liabilities and fund balance	<u>\$ 145,344</u>		
<b>Net Assets - Unrestricted</b>		<u>\$ 144,071</u>	<u>\$ 144,071</u>

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

<b>Revenue</b>			
General assessment	\$ 47,196	\$ (47,196)	\$ -
Interest income	196	-	196
Total revenue	47,392	(47,196)	196
<b>Expenditures - Public works</b>	54,640	-	54,640
<b>Excess of Revenue Under Expenditures</b>	(7,248)	(47,196)	(54,444)
<b>Fund Balance/Net Assets</b>			
Beginning of year	9,731	188,784	198,515
End of year	<u>\$ 2,483</u>	<u>\$ 141,588</u>	<u>\$ 144,071</u>

# City of East Lansing, Michigan

## Other Supplemental Information Component Units – Fund-based Statements Brownfield Authority Fund Year Ended June 30, 2005

	Modified Accrual	Full Accrual Adjustments	Net Assets - Full Accrual
<b>BALANCE SHEET/ STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Cash and investments	\$ 354	\$ -	\$ 354
Receivables	<u>31,000</u>	<u>-</u>	<u>31,000</u>
Total assets	<u><b>\$ 31,354</b></u>	<u>-</u>	<u>31,354</u>
<b>Liabilities - Deferred revenue</b>	\$ 31,000	\$ (31,000)	\$ -
<b>Fund Balance</b>	<u>354</u>	<u>(354)</u>	<u>-</u>
Total liabilities and fund balance	<u><b>\$ 31,354</b></u>		
<b>Net Assets - Unrestricted</b>		<u><b>\$ 31,354</b></u>	<u><b>\$ 31,354</b></u>

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

<b>Revenue</b>			
Operating grants and contributions	\$ 25,000	\$ -	\$ 25,000
Charges for services	<u>36,000</u>	<u>31,000</u>	<u>67,000</u>
Total revenue	61,000	31,000	92,000
<b>Expenditures - Community and economic development</b>	<u>60,646</u>	<u>-</u>	<u>60,646</u>
<b>Excess of Revenue Over Expenditures</b>	354	31,000	31,354
<b>Fund Balance/Net Assets</b>			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><b>\$ 354</b></u>	<u><b>\$ 31,000</b></u>	<u><b>\$ 31,354</b></u>

## City of East Lansing, Michigan

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Fiscal Year Ended June 30		General Government	Public Safety	Public Works	Capital Improvements	Benefits
1996	(B) \$	5,815,283	\$ 9,853,868	\$ 1,557,117	\$ 265,541	\$ 407,478
1997		5,796,238	11,038,556	696,272	718,220	350,654
1998		6,142,533	11,742,031	825,357	-	-
1999		6,730,799	12,825,812	779,397	-	-
2000		7,169,375	13,366,575	767,523	-	-
2001		7,454,972	13,610,763	1,197,936	-	-
2002		6,995,713	13,942,073	1,314,209	-	-
2003		7,205,977	14,492,437	822,398	-	-
2004		7,671,669	14,840,403	750,554	-	-
2005		7,841,240	15,849,325	739,374	-	-

Note A - Debt service and contributions represent operating transfers made to other funds.

Note B - In 1996, most of the employee benefits were allocated to departmental activities. From 1998 forward, all benefits were allocated to department activities.

See independent auditor's disclaimer on the statistical section information.

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**General Fund  
General Government Expenditures and  
Other Financing Uses by Function  
1996 to 2005**

Debt Service (A)	Contributions (A)	Other	Total
\$ 451,210	\$ 1,498,030	\$ 202,319	\$ 20,050,846
329,368	1,791,615	907,484	21,628,407
877,570	3,043,990	961,838	23,593,319
902,811	2,478,038	1,034,545	24,751,402
1,650,658	2,344,289	1,411,563	26,709,983
1,763,896	3,662,340	1,331,104	29,021,011
1,631,786	2,616,409	1,595,570	28,095,760
2,115,767	2,660,614	1,495,226	28,792,419
2,328,789	3,118,301	1,490,423	30,200,139
2,341,485	3,172,956	1,624,301	31,568,681

## City of East Lansing, Michigan

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Fiscal Year Ended June 30	Property Taxes	Amounts Received from Other Government Sources		Charges for Services	Licenses and Permits
		Federal	State		
1996	\$ 9,341,008	\$ 35,000	\$ 5,843,786	\$ 999,052	\$ 417,297
1997	9,134,604	99,192	5,986,110	1,053,911	408,742
1998	9,429,760	162,818	6,420,114	1,019,143	741,471
1999	9,883,887	211,053	6,851,203	3,144,190	855,409
2000	11,073,587	300,389	7,579,433	3,037,606	920,376
2001	11,782,594	371,124	7,993,288	2,868,245	1,196,280
2002	12,134,907	211,375	7,729,047	2,789,569	1,049,859
2003	13,264,517	140,860	6,674,996	3,721,610	1,223,177
2004	14,436,027	228,902	6,716,756	3,775,810	1,479,698
2005	15,181,280	222,965	6,383,640	3,879,152	1,448,979

Note A - Other revenue includes operating transfers from other funds and proceeds from long-term debt.

See independent auditor's disclaimer on the statistical section information.

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**General Fund  
General Government Revenue and  
Other Financing Sources by Source  
1996 to 2005**

Fines	Investment Income	Other (A)	Total
\$ 1,718,970	\$ 379,676	\$ 2,056,413	\$ 20,791,202
2,057,709	434,638	2,982,158	22,157,064
2,338,921	438,921	2,945,261	23,496,409
2,284,187	412,191	1,033,422	24,675,542
2,416,636	352,957	1,125,187	26,806,171
2,386,899	455,929	958,865	28,013,224
2,755,126	223,458	1,232,752	28,126,093
2,759,678	230,769	1,194,457	29,210,064
3,165,875	100,765	909,729	30,813,562
3,199,484	172,514	702,487	31,190,501



## City of East Lansing, Michigan

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<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1996	\$ 8,886,207	\$ 8,869,116	99.81	\$ 18,372
1997	9,556,482	9,541,129	99.84	15,353
1998	9,868,390	9,851,640	99.83	16,750
1999	10,320,082	10,307,224	99.87	12,858
2000	11,305,639	11,291,598	99.88	12,808
2001	11,895,973	11,848,368	99.60	47,605
2002	12,525,643	12,460,341	99.48	37,466
2003	13,070,316	13,025,905	99.66	76,192
2004	13,940,160	13,834,601	99.24	83,864
2005	14,735,579	14,726,725	99.88	12,014

Note A - A reserve has been calculated based upon the expected uncollectible delinquent taxes.

See independent auditor's disclaimer on the statistical section information.

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**Property Tax Levies and Collections  
1996 to 2005**

Outstanding Delinquent Taxes (A)	Outstanding Delinquent Taxes as Percent of Current Levy
\$ 67,737	0.76
35,405	0.37
47,875	0.48
43,489	0.42
45,826	0.40
84,806	0.71
100,934	0.81
185,592	1.42
71,062	0.51
78,920	0.54

## City of East Lansing, Michigan

Fiscal Year Ended or Ending June 30	Assessments			Equalization Factor	
	Real Property	Personal Property	Total	Real Property	Personal Property
1997	\$ 487,579,050	\$ 30,082,500	\$ 517,661,550	1.00	1.00
1998	532,818,100	32,844,450	565,662,550	1.00	1.00
1999	562,517,450	34,941,700	597,459,150	1.00	1.00
2000	607,169,750	37,709,900	644,879,650	1.00	1.00
2001	645,184,200	37,762,600	682,946,800	1.00	1.00
2002	691,464,400	37,843,200	729,307,600	1.00	1.00
2003	740,856,100	38,520,200	779,376,300	1.00	1.00
2004	815,436,200	39,095,800	854,532,000	1.00	1.00
2005	876,057,400	39,262,300	915,319,700	1.00	1.00
2006	943,578,000	39,679,000	983,257,000	1.00	1.00

See independent auditor's disclaimer on the statistical section information.

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**Assessed and State Equalized Values  
1997 to 2006**

State Equalized Value		
Real Property	Personal Property	Total
\$ 487,579,050	\$ 30,082,500	\$ 517,661,550
532,818,100	32,844,450	565,662,550
562,517,450	34,941,700	597,459,150
607,169,750	37,709,900	644,879,650
645,184,200	37,762,600	682,946,800
691,464,400	37,843,200	729,307,600
740,856,100	38,520,200	779,376,300
815,436,200	39,095,800	854,532,000
876,057,400	39,262,300	915,319,700
943,578,000	39,679,000	983,257,000

# City of East Lansing, Michigan

Fiscal Year Ended June 30	Tax Rate (Per \$1,000 of					
	City				Combined East Lansing School District	Combined Ingham County
	Operating	Solid Waste	Debt	Total		
Nonhomestead						
1996	15.48	0.83	0.88	17.19	23.19	14.11
1997	15.00	1.57	1.52	18.09	23.19	13.98
1998	15.00	1.57	1.52	18.09	23.19	14.00
1999	15.07	1.59	1.43	18.09	23.19	13.98
2000	15.07	1.59	2.50	19.16	23.19	13.94
2001	15.07	1.59	2.62	19.28	26.29	13.90
2002	15.26	1.59	2.43	19.28	26.28	13.88
2003	15.36	1.59	2.33	19.28	26.28	14.29
2004	15.52	1.59	2.17	19.28	26.27	14.66
2005	15.65	1.59	2.04	19.28	26.30	14.60
Homestead						
1996	15.48	0.83	0.88	17.19	5.89	14.11
1997	15.00	1.57	1.52	18.09	5.89	13.98
1998	15.00	1.59	1.50	18.09	6.68	14.00
1999	15.07	1.59	1.43	18.09	6.36	13.98
2000	15.07	1.59	2.50	19.16	6.51	13.94
2001	15.07	1.59	2.62	19.28	9.43	13.90
2002	15.26	1.59	2.43	19.28	9.42	13.88
2003	15.36	1.59	2.33	19.28	9.35	14.29
2004	15.52	1.59	2.17	19.28	9.23	14.66
2005	15.65	1.59	2.04	19.28	9.25	14.60

Note: In November 1993, voters approved Proposal A, which reduced School District operating millage and replaced it with a two-cent sales tax increase and a six-mill state education millage. Different rates are applicable to homestead versus nonhomestead properties.

See independent auditor's disclaimer on the statistical information.

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**Property Tax Rates  
Direct and Overlapping Governments  
1996 to 2005**

Taxable Valuation)			
Combined Lansing Community College	Capital Area Transportation Authority	State Education	Total
<hr/>			
2.94	0.98	6.00	64.41
2.94	0.98	6.00	65.18
2.94	1.38	6.00	65.60
2.94	1.38	6.00	65.58
2.92	1.37	6.00	66.58
2.91	1.37	6.00	69.75
3.89	1.39	6.00	70.72
3.87	2.20	6.00	71.92
3.85	2.19	5.00	71.25
3.84	2.18	6.00	72.20
<hr/>			
2.94	0.98	6.00	47.11
2.94	0.98	6.00	47.88
2.94	1.38	6.00	49.09
2.94	1.38	6.00	48.75
2.92	1.37	6.00	49.90
2.91	1.37	6.00	52.89
3.89	1.39	6.00	53.86
3.87	2.20	6.00	54.99
3.85	2.19	5.00	54.21
3.84	2.18	6.00	55.15

## City of East Lansing, Michigan

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Fiscal Year Ended June 30	Population Per Census	State Equalized Value	Gross Bonded Debt (A)	Debt Payable from Enterprise Revenue
1996	51,065	\$ 517,661,550	\$ 39,912,855	\$ 29,320,964
1997	51,065	565,662,550	43,253,262	32,316,703
1998	51,065	597,459,150	42,291,171	32,114,567
1999	51,065	644,879,650	51,879,144	30,875,762
2000	51,065	682,946,800	52,058,692	30,249,663
2001	46,525	729,307,600	68,096,711	44,820,849
2002	46,525	779,376,300	72,520,436	44,915,064
2003	46,525	854,532,000	73,871,390	42,807,794
2004	46,525	915,319,700	71,487,690	42,322,690
2005	46,525	983,257,000	74,143,912	44,383,912

Note A - Includes all long-term bonded debt.

See independent auditor's disclaimer on the statistical section information.

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**Ratio of Net General Bonded Debt to  
State Equalized Value and  
Net Bonded Debt Per Capita  
1996 to 2005**

Net Bonded Debt	Ratio of Net Bonded Debt to S.E.V.	Net Bonded Debt per Capita
\$ 10,591,891	2.05	\$ 207
10,936,559	1.93	214
10,176,604	1.70	199
21,003,382	3.26	411
21,809,029	3.19	427
23,275,862	3.19	500
27,605,372	3.54	593
31,063,596	3.64	668
29,165,000	3.19	627
29,760,000	3.03	640



# City of East Lansing, Michigan

## Computation of Legal Debt Margin Year Ended June 30, 2005

State Equalized Value - 2005	<u>\$ 983,257,000</u>
Debt Limit - 10 percent of State equalized value	\$ 98,325,700
Amount of Debt Applicable to Debt Limit	<u>51,555,000</u>
Legal Debt Margin	<u>\$ 46,770,700</u>

### Reconciliation of Total Debt to Amount of Debt Applicable to Debt Limit

Total Enterprise Funds debt	\$ 44,266,077
Plus deferred charge on refunding	276,307
Less Enterprise Funds Bonds not subject to limitations:	
Limited Tax Bonds Series 1994 - CSO	(3,855,000)
Limited Tax Bonds Series 1995 - CSO	(8,265,000)
Limited Tax Bonds Series 2000	(550,000)
Limited Tax Bond Series 2004 - CSO	(5,738,912)
Less accumulated employee benefits	<u>(158,472)</u>
Applicable Enterprise Funds Debt	25,975,000
Total General Long-term Debt Account Group	32,846,029
Plus deferred charge on refunding	81,124
Less accumulated employee benefits	(3,167,153)
Less Special Assessment Bonds not subject to limitations	<u>(4,180,000)</u>
Applicable General Long-term Debt Account Group Debt	<u>25,580,000</u>
Total Amount of Debt Applicable to Debt Limit	<u>\$ 51,555,000</u>

See independent auditor's disclaimer on the statistical section information.

# City of East Lansing, Michigan

## Computation of Direct and Overlapping Debt June 30, 2005

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable To City	City Share of Debt
<b>Direct Debt</b>			
City of East Lansing - Debt Service Bonds	\$ 74,143,192	100.00	\$ 74,143,192
<b>Overlapping Debt</b>			
East Lansing School District	85,682,762	77.55	66,446,982
Lansing School District	75,530,000	2.19	1,654,107
Bath School District	24,879,648	9.38	2,333,711
Haslett School District	54,542,677	0.03	16,363
Ingham County	32,847,921	11.08	3,639,550
Clinton County	15,408,356	1.66	255,779
Lansing Community College	59,915,000	8.27	4,954,971
Total overlapping debt			<u>79,301,463</u>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 153,444,655</u></b>

Source: City records and Municipal Advisory Council of Michigan (macmi.org).

See independent auditor's disclaimer on the statistical section information.

# City of East Lansing, Michigan

## Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures 1996 to 2005

Fiscal Year Ended June 30	Total Debt Service (A)	Total General Fund Expenditures	Ratio
1996	\$ 451,210	\$ 20,050,846	2.25
1997	329,368	21,628,407	1.52
1998	877,569	23,593,319	3.72
1999	902,811	24,751,402	3.64
2000	1,650,658	26,709,983	6.18
2001	1,763,896	29,021,011	6.08
2002	1,631,786	28,095,760	5.81
2003	2,115,767	28,751,032	7.36
2004	2,328,789	30,200,139	7.71
2005	2,341,485	31,568,681	7.42

Note A - Includes general fund debt service only.

See independent auditor's disclaimer on the statistical section information.

# City of East Lansing, Michigan

## Demographic Statistics

	2000	1990	1980	1970
Population (1)	46,525	51,065	51,392	47,540
Per capita income (1)	\$16,333	\$ 11,212	\$ 6,305	\$ 3,399
Median age (1)	21.7	21.6	21.4	21.9
Percentage of persons over 25 years of age with high school or higher education	96.9%	96.6%	N/A	N/A
Percentage of persons over 25 years of age with a bachelor's degree or higher education	70.4%	71.2%	N/A	N/A
School enrollment - Kindergarten-12th grade (2)	3,622	4,104	4,566	5,620
University enrollment (3)	41,355	42,088	32,289	25,594
Unemployment rate (1)	N/A	7.6%	6.0%	6.3%

### Sources:

(1) U.S. Bureau of Census

(2) East Lansing School District Census

(3) Administration Offices, Michigan State University

N/A - Information is not available

# City of East Lansing, Michigan

## Taxable Value Years Ended or Ending June 30, 1998 through June 30, 2006

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 125	Total Taxable Value
1996	1997	1998	\$ 551,410,650	\$ 1,524,900	\$ 552,935,550
1997	1998	1999	576,724,180	-	576,724,180
1998	1999	2000	599,160,100	-	599,160,100
1999	2000	2001	627,313,300	-	627,313,300
2000	2001	2002	662,591,220	-	662,591,220
2001	2002	2003	697,895,440	-	697,895,440
2002	2003	2004	748,210,510	-	748,210,510
2003	2004	2005	790,769,480	-	790,769,480
2004	2005	2006	835,354,370	-	835,354,370
Per capita total taxable value for the fiscal year ending June 30, 2004 (1)					\$ 17,954.96

(1) Based on the City's 2000 Census of 46,525.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

# City of East Lansing, Michigan

## State Equalized Valuation Years Ended or Ending June 30, 1997 Through 2006

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255	Total SEV	Percent Increase Over Prior Year
1995	1996	1997	\$ 554,942,030	\$ 3,049,800	\$ 557,991,830	7.14
1996	1997	1998	565,662,500	3,049,850	568,712,350	1.92
1997	1998	1999	597,459,150	-	597,459,150	5.05
1998	1999	2000	644,879,650	-	644,879,650	7.94
1999	2000	2001	682,946,800	-	682,946,800	5.90
2000	2001	2002	729,307,600	-	729,307,600	6.79
2001	2002	2003	779,376,300	-	779,376,300	6.87
2002	2003	2004	854,210,510	-	854,210,510	9.60
2003	2004	2005	915,319,700	-	915,319,700	7.15
2004	2005	2006	983,257,000	-	983,257,000	7.42

Per capita total SEV for the fiscal year ending June 30, 2005 (1) \$ 21,133.95

(1) Based on the City's 2000 Census of 46,525.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

## City of East Lansing, Michigan

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	1997	1998	1999	2000
<b>Use</b>				
Commercial	\$ 202,921,630	\$ 205,889,310	\$ 218,312,800	\$ 240,123,150
Industrial	62,900	62,900	62,900	601,800
Residential	351,957,500	359,710,340	379,083,450	404,154,700
Developmental	-	-	-	-
<b>Total</b>	<b><u>\$ 554,942,030</u></b>	<b><u>\$ 565,662,550</u></b>	<b><u>\$ 597,459,150</u></b>	<b><u>\$ 644,879,650</u></b>
<b>Class</b>				
Real property	\$ 522,688,830	\$ 532,818,100	\$ 562,517,450	\$ 607,169,750
Personal property	32,253,200	32,844,450	34,941,700	37,709,900
<b>Total</b>	<b><u>\$ 554,942,030</u></b>	<b><u>\$ 565,662,550</u></b>	<b><u>\$ 597,459,150</u></b>	<b><u>\$ 644,879,650</u></b>

(I) SEV in this table represents ad valorem SEV plus SEV of property granted tax abatement under Acts 198 and 255.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

**SEV by Use and Class (I)**  
**Years Ended or Ending June 30, 1997 Through 2006**

2001	2002	2003	2004	2005	2006
\$ 253,498,000	\$ 274,626,700	\$ 293,978,800	\$ 327,950,600	\$ 342,895,800	\$ 362,168,800
629,200	629,200	561,200	585,600	810,600	829,800
426,882,500	451,954,400	482,183,700	519,318,400	565,210,000	613,721,400
<u>1,937,100</u>	<u>2,097,300</u>	<u>2,652,600</u>	<u>6,677,400</u>	<u>6,403,300</u>	<u>6,537,000</u>
<b><u>\$ 682,946,800</u></b>	<b><u>\$ 729,307,600</u></b>	<b><u>\$ 779,376,300</u></b>	<b><u>\$ 854,532,000</u></b>	<b><u>\$ 915,319,700</u></b>	<b><u>\$ 983,257,000</u></b>
\$ 645,184,200	\$ 691,464,400	\$ 740,856,100	\$ 815,436,200	\$ 876,057,400	\$ 943,578,000
<u>37,762,600</u>	<u>37,843,200</u>	<u>38,520,200</u>	<u>39,095,800</u>	<u>39,262,300</u>	<u>39,679,000</u>
<b><u>\$ 682,946,800</u></b>	<b><u>\$ 729,307,600</u></b>	<b><u>\$ 779,376,300</u></b>	<b><u>\$ 854,532,000</u></b>	<b><u>\$ 915,319,700</u></b>	<b><u>\$ 983,257,000</u></b>



# City of East Lansing, Michigan

## Maximum Property Tax Rate Year Ended June 30, 2005

Millage Classification	Millage	Applicable Millage Reduction	Maximum Allowable
	Authorized	Fraction (I)	Millage
Operating	20.0000	0.9912	17.7736
Refuse collection and disposal	3.0000	0.9912	2.6659

(I) Cumulative

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

# City of East Lansing, Michigan

## Property Tax Rates Years Ended or Ending June 30, 1997 Through 2006

Levy July 1	Fiscal Year Ended or Ending June 30	Operating	Refuse Collection	Debt Service	Total
1996	1997	15.00	1.57	1.52	18.09
1997	1998	15.00	1.59	1.50	18.09
1998	1999	15.07	1.59	1.43	18.09
1999	2000	15.07	1.59	2.50	19.16
2000	2001	15.07	1.59	2.62	19.28
2001	2002	15.26	1.59	2.43	19.28
2002	2003	15.36	1.59	2.33	19.28
2003	2004	15.52	1.59	2.17	19.28
2004	2005	15.65	1.59	2.04	19.28
2005	2006	15.72	1.59	1.97	19.28

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

## City of East Lansing, Michigan

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	1996	1997	1998	1999
Sales tax	\$ 2,768,404	\$ 5,121,793	\$ 5,623,431	\$ 6,015,904
Income tax	1,235,404	93,535	-	-
Single business tax	1,088,744	-	-	-
Single business tax (inventory reimbursement)	44,034	44,305	46,625	-
Liquor licenses	15,738	15,540	16,638	16,859
State fire reimbursement	687,874	704,870	733,420	754,677
Other State grants	3,588	6,067	-	153,290
Total	<u>\$ 5,843,786</u>	<u>\$ 5,986,110</u>	<u>\$ 6,420,114</u>	<u>\$ 6,940,730</u>

Note A - Includes general fund revenue only.

See independent auditor's disclaimer on the statistical information.

**Intergovernmental Revenue (A)**  
**Years Ended June 30, 1996 Through 2005**

2000	2001	2002	2003	2004	2005
\$ 6,605,713	\$ 6,998,036	\$ 6,780,150	\$ 6,207,829	\$ 6,115,328	\$ 5,840,356
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,015	19,405	18,171	18,825	19,549	22,281
956,705	927,955	921,457	443,155	461,706	436,407
313,145	12,967	9,269	5,187	30,678	80,627
<u>\$ 7,892,578</u>	<u>\$ 7,958,363</u>	<u>\$ 7,729,047</u>	<u>\$ 6,674,996</u>	<u>\$ 6,627,261</u>	<u>\$ 6,379,671</u>

# City of East Lansing, Michigan

## Labor Contracts June 30, 2005

Approximately 80 percent of the City's full-time employees are represented by labor organizations. The following table illustrates the various labor organizations that represent the City employees, the number of members, and the expiration date of the present contracts:

	<u>Membership</u>	<u>Contract Expiration Date</u>
East Lansing Firefighters Association, Local 1609, International Association of Firefighters	51	6/30/2006
East Lansing Independent Employees' Union	56	6/30/2005
Police Officers Association of Michigan - Nonsupervisory unit	50	6/30/2008
Capitol Lodge #141 Fraternal Order of Police - Police support unit:		
Nonsupervisory	20	6/30/2008
Dispatch	13	6/30/2005
Command and Officers Association of Michigan - Supervisory unit	16	6/30/2005
Police Officers Association of Michigan - District Court employees	24	6/30/2006
United Auto Workers' Local 2256 - Nonsupervisory	74	6/30/2008
United Auto Workers' Local 2256 - Supervisory	10	6/30/2008
Nonunion employees	<u>83</u>	
Total City employees	<u><u>397</u></u>	

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

# City of East Lansing, Michigan

## Principal Taxpayers Year Ended June 30, 2006

### Profile of the Ten Largest Taxpayers

Reflected below are the City's 10 largest property taxpayers, their principal product or service, and respective taxable value for the fiscal year ended June 30, 2005:

Taxpayer	Principal Product or Service	Taxable Value (1)	Percentage of Total
DTN Management	Apartments	\$ 32,461,750	3.89
MEA Special Services	Teacher Association/Insurer	15,930,570	1.91
Community Resources Management	Rental Housing	14,103,510	1.68
Sam Eyde Development Co.	Developer	11,806,150	1.41
D.L. Kesler & Associated Properties	Golf Course/Developer	7,168,750	0.86
Dunn Development Group	Apartments	7,162,540	0.86
Capstone University Commons	Apartments	6,856,980	0.82
American Physicians Insurance	Insurance Company	6,775,760	0.81
Meijer, Inc.	Department/Grocery Store	6,600,960	0.79
South Bend Nursing Home Association	Commercial Properties	5,440,900	0.65
Total		<u><u>\$ 114,307,870</u></u>	<u><u>13.68</u></u>

(1) Based on \$835,354,370, which is the City's Taxable Value for its fiscal year ending June 30, 2006. See "Property Valuations" and "Tax Abatement" herein.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

## City of East Lansing, Michigan

### Profile of Major Employers June 30, 2005

Company	Principal Product or Service	Approximate Number of Employees
Michigan State University	State University	12,300
Meijer, Inc.	Department/Grocery store	650
East Lansing School District	Education	600
Michigan Education Association	Teacher association/Insurer	526
Michigan State Police	Police	500
City of East Lansing	Municipal government	359
U.S. Postal Service	Postal service	300
Burcham Hills	Retirement community	300

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

# City of East Lansing, Michigan

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## Employment

Reflected below are the unadjusted yearly average unemployment statistics of the City and the State of Michigan for the calendar years 1995 through 2004:

### City of East Lansing

	1995	1996	1997	1998
Employed	27,087	27,477	27,826	28,900
Unemployed	1,229	1,244	1,031	1,075
Labor force	<u><b>28,316</b></u>	<u><b>28,721</b></u>	<u><b>28,857</b></u>	<u><b>29,975</b></u>
Unemployed as percent of labor force (1)	4.3%	4.3%	3.6%	3.7%

### State of Michigan

Employed	4,556,000	4,670,000	4,775,900	4,835,000
Unemployed	258,000	239,000	209,800	194,200
Labor force	<u><b>4,814,000</b></u>	<u><b>4,909,000</b></u>	<u><b>4,985,700</b></u>	<u><b>5,029,200</b></u>
Unemployed as percent of labor force (1)	5.3%	4.9%	4.2%	3.9%

(1) Totals and percentages may differ due to rounding by the Michigan Employment Security Commission.

Source: Office of Labor Market Information - Michigan Department of Career Development.  
([www.MICHLMI.org](http://www.MICHLMI.org))

See independent auditor's disclaimer on the statistical information.



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**City and State Employment Data  
June 30, 2005**

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
28,450	28,525	28,300	27,475	27,450	19,457
<u>900</u>	<u>825</u>	<u>1,200</u>	<u>1,375</u>	<u>1,775</u>	<u>1,504</u>
<b><u>29,350</u></b>	<b><u>29,350</u></b>	<b><u>29,500</u></b>	<b><u>28,850</u></b>	<b><u>29,225</u></b>	<b><u>20,961</u></b>
3.0%	2.8%	4.1%	4.8%	6.0%	7.2%
4,893,900	5,016,000	4,901,000	4,691,000	4,674,000	4,728,941
<u>188,500</u>	<u>185,000</u>	<u>274,000</u>	<u>310,000</u>	<u>368,000</u>	<u>360,938</u>
<b><u>5,082,400</u></b>	<b><u>5,201,000</u></b>	<b><u>5,175,000</u></b>	<b><u>5,001,000</u></b>	<b><u>5,042,000</u></b>	<b><u>5,089,879</u></b>
3.7%	3.6%	5.3%	6.2%	7.3%	7.1%

# City of East Lansing, Michigan

## Miscellaneous Statistical Data Year Ended June 30, 2005

<b>Date of Incorporation</b>	May 8, 1907
<b>Form of Government</b>	City Manager City Council - five members elected at large Mayor elected from City Council
<b>Area</b>	13 square miles
<b>Miles of Street</b>	Major streets: 24.4 miles Local streets: 61.5 miles Trunkline streets: 8.2 miles
<b>Building Permits</b>	

Year	Number	Estimated Value
1995	295	\$ 11,692,296
1996	261	8,240,741
1997	256	14,556,997
1998	333	24,085,367
1999	322	29,531,648
2000	431	47,535,512
2001	496	37,870,674
2002	488	31,654,794
2003	573	33,057,392
2004	675	42,701,633

**Fire Protection** The fire department provides fire suppression and emergency rescue services to the City as well as the Michigan State University campus. The fire department operates two fire stations with a staff of 53 people (this is 48 fire suppression and 5 administration personnel). During calendar year 2004, the fire department responded to 978 alarms, (882 in 2003) and 2,601 rescue runs (2,626 in 2003).

**Police Protection** The police department has 62 sworn officers and 46 civilian positions. During calendar year 2004, the police department prepared 6,404 (6,531 in 2003) police reports for incidents occurring in the City. Accidents investigated totaled 1,714 (1,767 in 2003) and the department issued 9,759 (12,354 in 2003) total citations. The East Lansing Police Department does not render police services to the Michigan State University campus.

**Automobile Parking System** The parking system consists of 186 street parking spaces and 2,502 offstreet spaces. Offstreet spaces consist of four attended parking ramps, two attended surface lots, five metered parking lots, and one permit-only lot.

See independent auditor's disclaimer on the statistical information.

# **City of East Lansing, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2005**

# City of East Lansing, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and Members of City Council  
City of East Lansing, Michigan

We have audited the basic financial statements of the City of East Lansing, Michigan for the year ended June 30, 2005 and have issued our report thereon dated September 30, 2005. Those basic financial statements are the responsibility of the management of the City of East Lansing, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of East Lansing, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 30, 2005



A worldwide association of independent accounting firms

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members of City Council  
City of East Lansing, Michigan

We have audited the financial statements of the City of East Lansing, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of East Lansing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of City Council  
City of East Lansing, Michigan

This report is intended solely for the information and use of management, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 30, 2005

**Report on Compliance with Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and Members of City Council  
City of East Lansing, Michigan

**Compliance**

We have audited the compliance of the City of East Lansing, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The major federal programs of the City of East Lansing, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express an opinion on the City of East Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of East Lansing, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of East Lansing, Michigan's compliance with those requirements.

In our opinion, the City of East Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.



To the Honorable Mayor and Members of City Council  
City of East Lansing, Michigan

### **Internal Control Over Compliance**

The management of the City of East Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of East Lansing, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of use of management, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 30, 2005

# City of East Lansing, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Entity Project/Grant Number	Award Amount	Federal Expenditures
<b>U.S. Department of Housing and Urban Development -</b>				
Community Development Block Grants - Entitlement grant:	14.218			
B-95-MC-26-0024			\$ 1,054	\$ 563
B-00-MC-26-0024			871,000	-
B-01-MC-26-0024			862,000	3,997
B-02-MC-26-0024			890,000	3,460
B-03-MC-26-0024			870,000	7,808
B-04-MC-26-0024			752,000	229,879
B-05-MC-26-0024			<u>727,000</u>	<u>389,512</u>
Total Community Development Block Grants			4,973,054	635,219
<b>U.S. Department of Homeland Security -</b>				
Emergency Management Performance Grants:	97.042			
EMW-2004-FG-20734			146,250	146,250
EMW-2003-FG-17683			270,000	270,000
<b>U.S. Department of Justice -</b>				
Office of Justice Programs - Bureau of Justice Assistance:				
Local Law Enforcement Block Grant - 2004-LB-BX0856	16.592		11,263	11,263
Bullet Proof Vest Grant: 01008442	16.607		1,073	1,073
Juvenile Justice and Delinquency Prevention Act - Passed through the State of Michigan Family Independence Agency	16.540	JP 0533002	37,500	31,250
Juvenile Justice and Delinquency Prevention Act - Passed through the State of Michigan Family Independence Agency	16.540	DP 03-33002	<u>75,000</u>	<u>12,854</u>
Total Office of Justice Programs			<u>124,836</u>	<u>56,440</u>
Total U.S. Department of Justice and U.S. Department of Homeland Security			541,086	472,690
<b>U.S. Department of Transportation -</b>				
Operation Nightcap - City of East Lansing	20.600	OHS-31	12,944	3,223
Highway Planning and Construction - Passed through the State of Michigan	20.205		<u>17,052</u>	<u>17,052</u>
Total U.S. Department of Transportation			29,996	20,275
<b>U.S. Department of Health and Human Services -</b>				
National Family Caregiver Support - Passed through Ingham County	93.052	F3ECG	9,950	9,950
<b>Environmental Protection Agency - Office of Water -</b>				
Capitalization Grants for Clean Water State Revolving Funds - Passed through the State of Michigan	66.458		<u>4,346,222</u>	<u>909,229</u>
Total federal awards			<u><b>\$9,900,308</b></u>	<u><b>\$2,047,363</b></u>

See Notes to Schedule of Expenditures  
of Federal Awards

## City of East Lansing, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,138,134
Federal revenue reported as a liability on basic financial statements	<u>909,229</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,047,363</u></u>

# City of East Lansing, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of East Lansing, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 109,050

# City of East Lansing, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2005

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund
97.042	Emergency Management Performance Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# City of East Lansing, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section II - Financial Statement Audit Findings

Reference  
Number

Findings

None

### Section III - Federal Program Audit Findings

Reference  
Number

Findings

None

# **City of East Lansing, Michigan**

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**Report to the City Council**

**June 30, 2005**



**Plante & Moran, PLLC**  
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To the Honorable Mayor and  
Members of the City Council  
City of East Lansing, Michigan

We recently completed our audit of the financial statements of the City of East Lansing, Michigan for the year ended June 30, 2005. In addition to our audit report, we offer the following comments.

TITLE	PAGE
<b>Certificate of Achievement</b>	2
<b>Recommendations and Legislative Issues</b>	
Internal Control Over Financial Reporting	3
State Shared Revenue	4-5
Transportation Matter	5
Local Government Finance Model	5
Fire Protection Grants	6
Tax Matters	6
Taxing Municipal Recreation Operations	7
Telecommunications Act Expiration Date Approaches	7
Municipal Finance Act Revision	7

We appreciate the opportunity to be of service to the City of East Lansing, Michigan. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward to continuing our relationship with the City. Should you wish to discuss any of the items included in this letter, we would be happy to do so.

*Plante & Moran, PLLC*

September 30, 2005



A worldwide association of independent accounting firms



**City of East Lansing  
Certificate of Achievement  
June 30, 2005**

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We would like to take the opportunity to congratulate the City staff for once again obtaining the Government Finance Officers' Association "Certificate of Achievement" award for excellence in financial reporting. This is a creditable accomplishment for the City to continue to receive this award. The City Manager and Director of Finance should be commended for their efforts.

# **City of East Lansing**

## **Recommendations and Legislative Issues**

### **June 30, 2005**

---

#### **Internal Control Over Financial Reporting**

During our audit process we attempt to identify opportunities for the City to revise or update its systems or procedures. The primary goal of internal control is to provide reasonable (as opposed to an absolute) protection to the City regarding its assets and financial information. We recognize the fact that the City does have strong internal control processes already in place. With that in mind, we offer the following for City consideration as it continues to improve its operations.

- **Accounts Payable** – As part of the audit, we noted certain invoices related to operations and construction that occurred in the fiscal year 2005 that were being accounted for in fiscal year 2006. Upon inquiry, we noted that currently there is no procedure in place to actively monitor and account for all open construction projects. We also noted that under current procedures, all invoices received after July 31<sup>st</sup> are accounted for in the subsequent year regardless of when the activity occurred. We recommend that the open invoice period be extended to August 15<sup>th</sup> in order to more accurately capture all invoices related to the current period. We also recommend that someone be assigned to monitor the receipt of all major construction projects or other large purchase commitments and if no receipt can be obtained timely, a reasonable estimate be accrued for activity completed to date.

# **City of East Lansing, Michigan**

## **Recommendations and Legislative Issues**

### **June 30, 2005**

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#### **State Shared Revenue**

The Governor's budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current FY 2004/2005 funding level were being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the Legislature to revenue sharing and then subsequently restored. The budget for fiscal year 2005/2006 is not done yet. While the expectation is that revenue sharing payments on an individual community by community basis for fiscal year 2005/2006 will be funded at fiscal year 2004/2005 levels, the Legislature still must finalize its budget negotiations and the revenue sharing act will require an amendment to accomplish distribution in this manner. By law, the Legislature and the Governor need to complete their work on the budget by September 30, 2005 and appropriations (like revenue sharing which is one very large line item in the State's budget) can change during that time.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments revenue sharing and for fiscal years 2004/2005 and 2005/2006 the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of a changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

State shared revenue accounts for approximately 20% of the City's total General Fund revenue. The table below details state shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2001.

**City of East Lansing, Michigan**  
**Recommendations and Legislative Issues**  
**June 30, 2005**

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**State Shared Revenue (Continued)**

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$ 3,996,301	\$ 3,016,903	\$ 7,013,204	\$ -
2002	3,747,974	3,047,634	6,795,608	3.2%
2003	3,462,640	3,099,230	6,561,870	6.9%
2004	2,831,934	3,065,565	5,897,499	15.9%
2005	2,694,493	3,138,723	5,833,216	16.8%

We will continue to update the City as developments occur.

**Transportation Matters**

The State is now expecting lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year which ends September 30, 2005. The Michigan Department of Transportation reported that receipts through the six month period ended April 30, 2005 were 4% behind last year. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Street Fund. The lower than anticipated collections could impact the City's fiscal year 2004/2005 and 2005/2006 budgets.

**Local Government Finance Model**

This spring, the Governor issued an Executive Order assembling a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. The task force has yet to actually have its first meeting and get off the ground. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force will hold its first meeting in September 2005. Unrelated to the Local Government Fiscal Task Force, Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

# **City of East Lansing, Michigan**

## **Recommendations and Legislative Issues**

### **June 30, 2005**

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#### **Fire Protection Grants**

Certain communities with qualifying state-owned property within their jurisdiction receive fire protection grants from the State of Michigan. Despite past efforts to secure a consistent source and level of funding for these payments from the State, appropriations annually continue to vary and be the subject of the State's budget deliberation process. With the uncertain nature of the State's budget, the nature of their appropriation (i.e. inconsistent) and the history involving their availability, local governments receiving these monies should continue to budget these monies carefully when doing multi-year planning.

#### **Tax Matters**

The centerpiece of the Governor's FY 2005/2006 State of Michigan budget is significant business tax reform of the Michigan Single Business Tax. The Governor's business tax reform proposal appeared to spare local governments from any negative impact of the changes and actually contained a provision to address a loophole in property tax assessments related to commercial property (known as WPW). As of this date, there is no consensus in Lansing on the Governor's tax proposal and alternative proposals are being discussed in the Legislature. Therefore, the impact on local government from these potential changes cannot be determined. A key component to most of the tax restructuring proposals is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen from these proposals such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. Debate on these tax restructuring proposals will continue over the next several months into the fall.

The loophole involving the inconsistent treatment of the assessment of commercial property is commonly referred to as the "WPW Case" involving the City of Troy. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This method of assessing commercial property (known as the "occupancy method") has been used by assessors to give commercial property owners a break when occupancy of their property has decreased and then to restore the taxable value of the property consistent with previous levels when occupancy increases. There are two bills in the House currently (House Bills 5096 and 5097) that have received hearings and consideration which would address this matter.

# **City of East Lansing, Michigan**

## **Recommendations and Legislative Issues**

### **June 30, 2005**

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#### **Taxing Municipal Recreation Operations**

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations but other recreation operations (such as ice arenas) could become part of the scope. There have been hearings on the subject and it is not clear which direction this issue will take in the fall.

#### **Telecommunications Act Expiration Date Approaches**

The Michigan Telecommunications Act is scheduled to sunset at December 31, 2005. There is a threat that the rewrite of the Act could include a restriction or elimination of the regulation of telecommunication companies (including cable operators which would impact franchise fees received by local governments). There is also considerable discussion about prohibiting local governments from being in the telecommunications business which may have an impact on current or future activities of the City.

#### **Municipal Finance Act Revisions**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end June 30, 2005 and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.